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ABSTRACT

Methods of accountability are presented in considering the Reagan administration plan to consolidate 84 federal health, education and social service grants into six block grant areas and to cut overall funding. After matching aspects of public criticism with proposal objectives, a rationale is developed for building elements of accountability into grant legislation to track the progress of the administration proposal, once implemented, or to determine whether there is achievement of administration objectives. Accountability to Congress will require empirical evidence: (1) whether national objectives will survive in block grants; (2) program effectiveness; (3) integrity against waste, fraud and abuse; (4) and management costs will improve or worsen under decentralized block grants. It is suggested that block grants may not answer all the criticisms of current grant procedure. Program integrity and equitability may decrease in the loss of uniformity and coordination. Federal, state, and local accountability is called for to achieve grant objectives and funding policy consistency. Eighteen elements of accountability are presented which Congress may use in determining achievement of program and national objectives. (CM)

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MAKING BLOCK GRANTS ACCOUNTABLE

Presented at the Annual Convention of the
Evaluation Research Society in Austin, Texas,
October 1-3, 1981

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Eleanor Chelimsky

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I. INTRODUCTION

The proposal by President Reagan to (a) consolidate 84 categorical grant programs, (b) transform them into 6 block grants in the areas of health, education, social services, and emergency energy aid, and (c) simultaneously cut the overall funding for those grants in differing amounts, arises from a groundswell of public criticism of increasing and ineffective federal spending. This criticism, which had developed over a number of years, contained strong ideological, and federalist components among the diversity of complaints articulated, and focused heavily on the categorical grants which have formed the backbone of federal expenditure for social programs over the years. The criticism peaked sharply in California with the Proposition 13 referendum of June 1978, and again nationally in November 1980 with the conservative success in the general elections.

In seeking to determine prospectively whether President Reagan's proposal -- thus inspired by public criticisms -- can reasonably be expected to address those criticisms adequately, it seems useful to examine what those criticisms were and how the block grant/fund cutting proposal expects to address them. This paper sets out to make such an examination. But more importantly, perhaps, it will try -- after matching the criticisms and the proposal objectives -- to develop a rationale for building into the block grant legislation those elements of accountability which can permit retrospective analysis to occur at a later date. Only in this way,

and most particularly, through the use of audit and evaluation, which are included among the elements of accountability, will it be possible either to track the progress of the proposal, once implemented, or to make an empirical determination of the achievement of the Administration's objectives.

The truth is that President Reagan's block grant proposal to the Congress can have many different potential effects, depending, for example, upon the topical area involved; upon particular state and local fiscal situations; upon the given urban/rural mix within a state; upon existing skills and capabilities in different states and localities; upon political and social environments; upon pressure group or stakeholder activities related to individual programs, and so on. Given the enormous variations across the 50 states, it may, in fact, turn out to be very difficult to decide -- absent careful provisions for accountability -- whether or not we are better off than before, or even whether the national objectives embodied in those programs are reflected in each state's version of them.

Therefore, although major public criticisms have been made, and an important proposal for change seeks to address them, accountability to the Congress and to the nation for federal funds will require at some point that empirical evidence is brought to bear on several questions. These questions include:

(1) Whether the national objectives of the programs which have been moved from the categorical grant mechanism to that of the block grant have survived intact despite the radical transformations of funding, delivery, and review undergone;

(2) Whether the changes made have improved or worsened the effectiveness of those programs;

(3) Whether program integrity (especially the incidence of waste, fraud, and abuse) is improved or worsened under state control; and

(4) Whether decentralized block grant management costs less or more than the centralized management of categorical grants.

Plans need to be made now to ensure that recipients of federal funds at any governmental level are accountable to the President, the Congress, and the nation on at least these four questions.

It is important to recognize that the Executive Branch requires this accountability no less than the Congress. The early knowledge of whether programs are working well or not is, of course, an essential component of the efficient public management which the new Administration seeks to achieve. In addition, this knowledge of how programs are working will be needed again in the course of Executive Branch accountability to the Congress within the oversight process. Further, by the very act of opting for block grants, which allow the retention of substantial congressional oversight authority (as opposed to revenue-sharing, which does not), the Administration appears to have demonstrated its own awareness of the need for accountability.

This paper proposes, then, to do two things: (1) to examine the criticisms which gave rise to the Administration's block grant proposal and to match that proposal to those criticisms; and (2) to discuss the accountability mechanisms, such as audit

and evaluation, which will be required for the future assessment of the implemented proposal's results. Past experience with block grants shows that these mechanisms are indispensable if accountability for federal funds is to be ensured. Therefore, both the Congress and the President have major incentives to begin careful planning now, prior to proposal implementation, for the orderly introduction and use of these mechanisms, in the knowledge of the Legislative Branch's oversight responsibilities, the Executive Branch's reporting needs, and the accountability obligations to the public by both Branches in the years ahead.

II. BACKGROUND

Among the criticisms which have been made of categorical grants, it is important to distinguish those which are based on general normative philosophy rather than on evidence of performance. If, for example, one condemns the whole idea of government spending, or of government in general, as do the anarchists, then clearly performance measures such as effectiveness, efficiency, or equitability (and so on) are moot. It doesn't matter to anarchists whether programs are effective or not, since they feel the programs shouldn't be there in the first place. In such a situation, one could not examine whether programs under one grant mechanism or another would be better or worse off according to various performance measures, since the measures themselves would be irrelevant. This background section, therefore, attempts to separate those common criticisms of categorical grants which have been made in the name of ideological or federalist theory, from the bulk of the criticisms which have been made based on measures of performance. In this way, Section III of this paper can then lay the groundwork for a prospective examination of the likely success of block grants in addressing categorical grant problems, based on the current critique of categorical grant performance.

A. The Ideological Component of Categorical Grant Criticism

As already noted, an overt sign of public displeasure with steadily increasing government spending (coupled with the steadily increasing taxation needed to pay for it), was observed in June 1978 with the advent of California's Proposition 13 referendum. This referendum sparked referenda in other states in a movement which was first perceived as focusing exclusively on taxes, but soon came to include other initiatives seeking restrictions on spending. Thus, although the movement was initially interpreted as a local issue focusing exclusively on the property tax, later calls for an amendment to the Constitution requiring a balanced federal budget made clear the broader nature of the public concern. Thirty state legislatures (of the 34 needed for an amendment) nad passed resolutions moving in the balanced-budget direction by February 1979. As a result, the political campaigns of 1980 dealt prominently with the combined issue of "big" public spending and taxation, and President Reagan was elected with what seemed a clear mandate to reduce both.

The question of which sectors of the budget would be cut was never open to much doubt, given the campaign concentration on "wasteful social programs" and "inflexible categorical grants," and given also the conservative character of the new Administration. Political conservatives place high priorities both on individual freedom and on social order (i.e., they believe in strong defense and law enforcement functions), and they retain their faith in the efficacy of private markets to maximize the

first, while relying on government to maintain the second. 1/ For them, government intervention in the market should occur only if the private sector of the economy cannot do what is needed, because, in Friedman's words, "Every act of government intervention limits the area of individual freedom directly and threatens the preservation of freedom indirectly." 2/

The conservative belief is that governmental action is typically ineffective 3/ because it is individuals who create wealth, rather than governments. They therefore argue: (1) for minimum involvement of the government in the lives of citizens except in support of the social order (that is, to maintain the rule of law, established institutions, a strong military defense, and the right to acquire, retain, and inherit property); and (2) for minimum taxation to assure only those public functions which cannot be handled by the private sector.

This conservative desire to minimize the size and functions of the national government has led not only to their opposition to income redistribution via the income tax, but also to their

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1/Milton Friedman, for example, has distinguished four reasons for governmental action in a free society: to make rules and to serve as umpire; to prevent or counter monopoly; to overcome "neighborhood" or external effects; and to protect those who cannot protect themselves, such as the insane or children (Milton Friedman, Capitalism and Freedom, University of Chicago Press, 1962, pp. 22-36).

2/Ibid, p. 32.

3/See, for example, Edwin C. Banfield, The Unheavenly City, Little, Brown, 1968, especially pp. 255-263.

espousal of "home rule" within the federal system (that is, increased power and discretion for local officials) as a means of countering excessive dominance by the national government. These two values, however, are not always either harmonious or consistent in their implementation. In effect, it is the extraordinary growth of federal aid to local governments -- made possible essentially by the income tax -- which has sustained many local governments during their numerous fiscal crises of recent years, and caused home rule to be an effective possibility in some cases. This philosophical difficulty -- that is, the tension between the opposition to income redistribution and the advocacy of home rule -- helps to explain the expanded growth of federal aid to states and localities during the recent conservative Administrations of Presidents Nixon and Ford. 4/

Conservative criticism of domestic policy has focused on:

(1) The increasing sizes of both

(a) the tax bill to individual and corporate taxpayers; and

4/Federal grants to state and local governments experienced their most heady growth between 1972 and 1976, during conservative Administrations, moving from about $30 billion to about $60 billion in 4 years. This is an average growth of about 25 percent annually, as opposed to the average annual rate of about 15 percent over the 20 years between 1958 and 1978. Thus, although President Lyndon Johnson's "Creative Federalism" became "The New Federalism," and although block grants and revenue sharing were favored rather than categorical grants, the source of the funding remained the same, and the strength and direction of federal power relationships continued along the same path, at least as shown by the heightened national expenditure increases.

(b) the national government and its budget (which the taxes support);

(2) Continuing budget deficits;

(3) "Throwing money at social problems" (with the exception of the crime problem, a social order issue); and

(4) The undesirability of trying to redistribute income or other resources.

This latter point has undergone some general resurgence of interest over the last decade or so 5/ and the main arguments made in support of it are that (1) existing inequalities provide incentives for hard work, risk-taking, and accumulation -- that is, all those characteristics essential for economic growth and efficiency which are assumed to benefit all, over the long term; 6/ and (2) that not only is equality probably impossible to achieve in any case, since some inequality is basic to the human condition, but that attempts to achieve it

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5/ See, for example, John Rawls, A Theory of Justice, Harvard University Press, 1971, and Harry G. Johnson, "Some Microeconomic Reflections on Income and Wealth Inequalities," Annals of the American Academy of Political and Social Sciences," Vol. 409 (September 1973) among many others.

6/ John L. Palmer and Joseph J. Minarik, "Income Security Policy" in Henry Owen and Charles L. Schultze, eds. Setting National Priorities: The Next Ten Years (Ch. 12), The Brookings Institution, 1975, pp. 536-537.

are actually harmful in that they downgrade excellence -- which is "the degree to which human beings are not naturally equal." 7/

In short, "big" government, heavy taxes, and resource redistribution have been seen by conservatives as:

- harmful to the economy;
- destructive of the "work ethic"; and
- generally damaging to social institutions.

Given these views, it was perfectly predictable that the budget cuts proposed by a conservative Administration should have heavily affected social programs which seek to equalize or redistribute income or other resources, rather than, say, defense programs. In addition, it was also natural that budget constraints should focus on grant programs, given that these had grown so rapidly during the seventies and are of such relatively recent vintage (see footnote 4).

Liberalism, on the other hand, has tended to see government as a generally benign force. For liberals, governmental action is legitimated by free elections (that is, the consent of the governed); their expectation is that a democratically elected government will put the interests of all the people ahead of those of any one group.

7/See Irving Kristol, "Taxes, Poverty and Equality," Public Interest No. 37 (Fall 1974), pp. 3-28, and the same writer cited in William Greider and Nick Kotz, "False Hopes and Faulty Panaceas," The Washington Post, April 8, 1973).

Liberals have placed high priorities: (1) on "social justice" and reform (that is, the achievement of a more equitable distribution of material goods and political power throughout the society) 8/; (2) on the centralizing or nationalizing idea of government as the necessary means of making public policy 9/; and (3) on innovation and change, which liberals see as intrinsically good and "progressive," versus an immobile status quo. 10/

Above all, liberals have been haunted by the idea of equality. If conservatives have had a dichotomy to resolve in terms of the tension between an antipathy for resource redistribution (or "robbing Peter to pay Paul" as William Simon 11/ has called it) and a belief in home rule, liberals have found as difficult a problem with the tension implicit in the twin Jeffersonian (and liberal) ideals of individual freedom combined with equal opportunity for all. However, liberalism -- when forced to choose -- has typically come down on the side

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8/See Charles Forcey, The Crossroads of Liberalism, Oxford University Press, 1961, pp. 78-87.

9/Ibid., pp. 1978-220.

10/Henri Bergson's concept of "ceaseless change" as the "basic principle of life" was embodied and crystallized in the ideas of the early (1900-1925) American liberal movement. As one liberal analyst wrote, "It is the conservatives who violate the spirit of life when they want institutions to stay frozen tight." (See Forcey, pp. 104-105).

11/William E. Simon, A Time for Truth, McGraw-Hill, 1978.

of equal opportunity 12/ in opposition to the conservative stance.

The decades of the '50s and '60s saw liberals deeply committed to removing barriers to political participation by blacks, and to improving economic opportunity for the disadvantaged. But in their efforts to achieve these ends, they have generally tended, for the most part, to favor centralization over the dispersal of power implied by federalism; they have looked to the national government, rather than to states and localities, to alleviate social or economic problems. State and local governments have been perceived by liberals as a sort of monolithic entity, forming a pro-rural, anti-urban, anti-black conservative constituency, needing to be overwhelmed by the innovative ideas,

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12/Writing in 1831, Tocqueville felt that Americans in general preferred equality to freedom, and that there was not so much an enduring balance between these two ideals, as a rank ordering:

> I think that democratic communities have a natural taste for freedom: left to themselves, they will seek it, cherish it, and view any privation of it with regret. But for equality, their passion is ardent, insatiable, incessant, invincible: they call for equality in freedom; and if they cannot obtain that, they still call for equality in slavery. They will endure poverty, servitude, barbarism; but they will not endure aristocracy. This is true at all times and especially in our own day. All men and all powers seeking to contain this irresistible passion will be overthrown and destroyed by it. In our age, freedom cannot be established without it, and despotism itself cannot reign without its support. (Alexis de Tocqueville, Democracy in America, Washington Square Press, New York, 1964, p. 172).

rationally applied, which would presumably emerge from a national government with strong liberal leadership.

These liberal views led almost inevitably to the development of the categorical grant "philosophy," in which national objectives -- articulated by the Congress, the Executive Branch, and/or the Supreme Court -- are expressed in grants to states and localities for achieving those objectives -- which, however, may or may not be state and local priorities. To ensure, then, that the national objective is realized, an important component of the categorical grant system consists of ways and means (such as rules, regulations, and reporting systems) for achieving compliance with that objective by states and localities. Categorical grants can be used "only for the specific program for which the aid is extended and usually are limited to narrowly defined activities." 13/

Although compliance with categorical grant program regulations has caused important and increasing management problems at all governmental levels, especially as the programs continued to multiply, liberals at the national level maintained their support for categorization even as local liberals became somewhat less enthusiastic. In effect, the establishment of community action agencies in the '60s (among other efforts), was

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13/Advisory Commission on Intergovernmental Relations, The Intergovernmental Grant System: An Assessment and Proposed Policies, Summary and Concluding Observations, June 1978, p. 3.

seen by local liberals as a deliberate attempt at the national level to circumvent local government. In the words of Hartford's Deputy Mayor:

> During the Model Cities days, the planning was done by so-called experts who came in and did an assessment of the needs of our citizens, through the Model Cities process. And we weren't expected to build that planning capacity, we were just thought of as a funnel and we weren't given much of a role because it was sort of dominated by the Feds dealing with the citizens. In fact, the gospel was that you couldn't trust the guys at City Hall, because they were corrupt and nothing but politicians and all they wanted to do was get votes. So City Hall people had to be isolated from the process. We devised many programs in the state government and in the federal government just to isolate local officials. 14/

While innovation and change appear today to remain major liberal goals, the ideas of centralization as a good, and innovativeness as uniquely an attribute of the national government, seem to have waned noticeably in the post-Watergate environment. There appears to be some recognition now among liberals that there never has been any intrinsic monopoly, at the national level, of either the innovative spirit, or the will to reform:

> In our lifetime, it is the federal government that has generally been on the side of the powerless, and local governments that have been more apt to represent the interests of established groups in the community. Therefore, reformist order has usually led to a quest for ways to increase federal control over the direction of local services. But if we take a broader historical view, it has not always been this way. In the early years of this century, in the days of Progressivism, it was states

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14/See the remarks of Deputy Mayor Nicholas Carbone, in E. Chelimsky, Proceedings of a Symposium on the Institutionalization of Federal Programs at the Local Level, MITRE Corporation, M78-80, May 1979, Volume I, page 136.

> that were often the innovators, the experimental laboratories. Progressive states enacted such innovations as child labor laws and industrial health and safety regulations, and limits on working hours for women. The Supreme Court for a long time overturned these state initiatives and the federal departments for a long time had no sympathy with them. So it's not inevitable that federal agencies should always be on the side of equity, justice and innovation, or local agencies always the bastion of vested interests. Let us be wary, in fashioning tools to increase federal direction, lest we make them strong enough to undermine local autonomy and that, in some future historical period, they can be used by a conservative federal establishment to foil the very effects they aim to achieve now. 15/

The profound liberal support for equality and social reform as expressed in categorical programs thus put some major strains on the rather disparate components of the liberal coalition, and the conservative critique of those programs did not neglect those strains. Conservatives, in attacking categorical grants, have concentrated their fire on four points: the desirability of particular program goals; the inflexibility and unacceptability (loss of power) to states and localities of national-level rules and regulations; the "unnecessary bureaucracy" (and costs) of centralized program administration; and the "high incidence of waste, fraud, and abuse prevalent" in these programs. State and local governments, for their part, have joined notably in this critique, but from a federalist, rather than a conservative perspective, and in the hope of delivery mechanism changes

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15/Ibid, see the remarks of Carol Weiss, pp. 55-56.

from which overall budget cuts, however, would be conspicuously excluded.

B. The Federalist Component of Categorical Grant Criticism

One definition of federalism is that it is a form of government which involves two or three major levels, with each level deriving its powers directly from the people and operating within its own sphere of authority; typically, a judiciary is the final arbiter in cases of controversy. 16/ The American federal system, however (and the intergovernmental network into which categorical grant programs must be integrated), has remained fluid over the years. Defined not so much in terms of any normative concept of goal-implementation (such as the explicit checks-and-balances concept imposed on the three national branches of government by the Framers of the Constitution), formal federalism exists largely by virtue of the Tenth Amendment (which states that "all powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people"), constrained, however, by the supremacy clause (in Article VI, Section 2) which specifically articulates a superior-subordinate relationship between the national government and the states, "any thing in the constitution or laws of any State to the contrary notwithstanding."

16/See Dennis J. Palumbo, American Politics, Meredith, 1973, p. 147.

Lacking an agreed normative concept, then, there have evolved many different models about how intergovernmental relationships within a federalist context should, in fact, work. The Senate Committee on Government Operations has viewed the situation this way:

> The field of intergovernmental relations might be characterized as the hidden dimension of government . . . (P)erforming as almost a fourth branch of government in meeting the needs of our people, it nonetheless has no direct electorate, operates from no set perspective, is under no special control, and moves in no particular direction. 17/

Whatever the disparate views held on the proper roles and functions of the different levels of government, however, it is clear that roles and functions have in fact been both assigned and exercised in the conduct of various federal activities. Wright has analyzed these to construct a useful spectrum of three theoretical models of intergovernmental relations 18/ (see Figure 1). These are:

(1) At one end of the spectrum, the Separated-Authority (or "dual federalism") model where sharp, distinct boundaries separate the basically autonomous national and state governments, with local government entirely dependent upon state government, according

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17/U.S. Senate, Committee on Government Operations, Subcommittee on Intergovernmental Relations, The Federal System as Seen by Federal Aid Officials, USGPO, p. 2.

18/Deil S. Wright, Understanding Intergovernmental Relations, Wadsworth, 1978, pp. 19-29.

to Dillon's Rule. 19/ (It is true that this model has often been called an obsolete and irrevelant "states' rights" perspective on American federalism, and has been found unrepresentative of empirically-tested reality 20/; however, it persists vigorously in the conservative view and just recently furnished the basis for a Supreme Court decision. 21/)

(2) At the other end of the spectrum, the Inclusive-Authority (or "centralized federalism") model, where state and local governments depend totally upon decisions that are (a) nationwide in scope, (b) hierarchical in nature, and (c) arrived at by the national government, by powerful economic interests, or by some combination of the two. (This has, in essence, been a liberal model: prescribed and described by people like Walter Lippman,

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19/Dillon's Rule (named for the Iowa judge who first formulated it in 1868) describes the power relationships between states and their localities as follows:

1. There is no common-law right of local self-government;
2. Local entities are creatures of the state subject to creation and abolition at the unfettered discretion of the state (barring consitutional limitations);
3. Localities may exercise only those powers expressly granted; and
4. Localities are "mere tenants at the will of the legislature."

(City of Clinton v. The Cedar Rapids and Missouri River Railroad, 24 Iowa Law Review, 44 (1868).

20/See, for example, Morton Grodzins, The American System: A New View of Government in the United States, Rand McNally, 1966.

21/In National League of Cities v. Usery (1976), the Court declared a 1974 federal law, extending wage and hour requirements to state and city employees, unconstitutional on the grounds that the legislation violated "the attribute of state sovereignty."

Herbert Croly and Walter Weyl in the early days -- circa 1915 -- of the liberal or "progressive" era 22/, advocated by former Senator Joseph L. Clark and others 23/; and attacked by conservatives like Barry Goldwater and President Reagan who see "a powerful federal engine rolling over weakened and supine states and localities 24/."

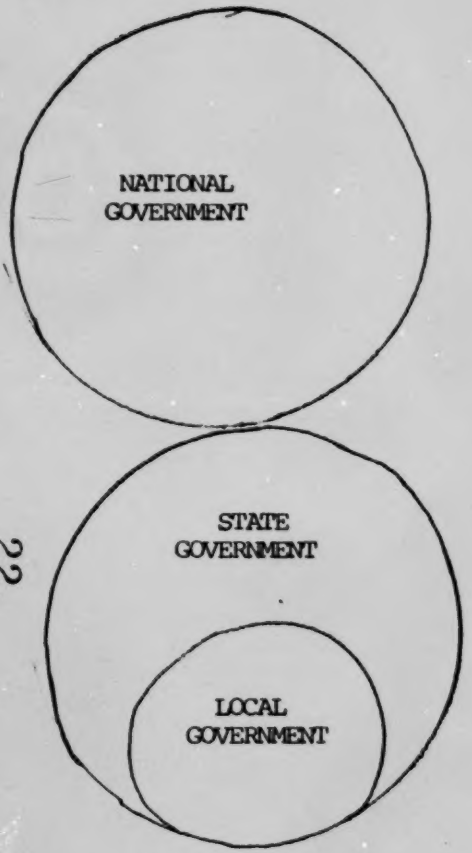
(3) Toward the middle of the spectrum, the Overlapping-Authority model, where interdependence is recognized, where bargaining occurs on a continuing basis, and whose chief characteristics are (a) limited, dispersed power, (b) few areas of autonomy, and (c) simultaneous cooperation and competition. (This last model is generally considered both ideal and the most representative of the three; it is embraced by some conservatives and by post-Watergate liberals; and it forms at least the theoretical context for programs within the federal grant-in-aid system. It is not clear, however, that it accurately reflects the reality either of resource control or of the power which emanates from that control, both of which have resided at the national level.)

None of these models, however, is prescriptive in any sense and the distribution of power with regard to levels of government has appeared to shift over time according to events, according to changes in ideology, social trends, or economic configurations, and according to Administration purposes, priorities, and programs.

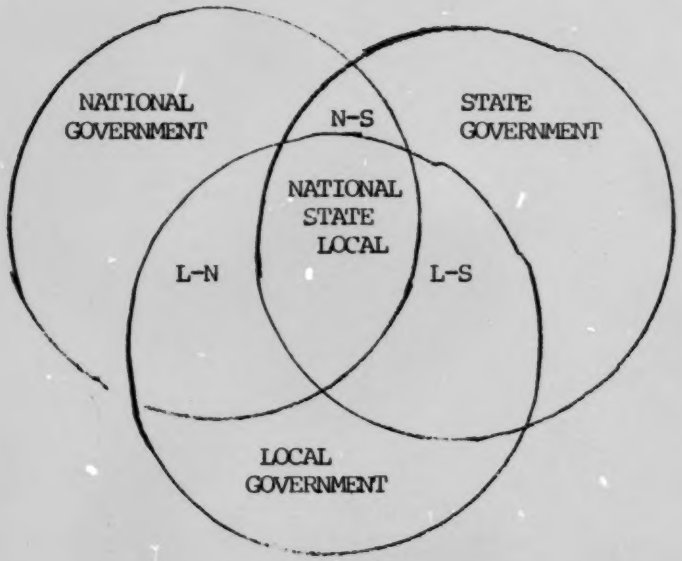
22/Charles Forcey, The Crossroads of Liberalism, Oxford University Press, 1961, pp. 197-198.

23/Joseph Clark, Toward National Federalism, The Federal Government and the Cities, George Washington University Press, 1971, pp. 39-49.

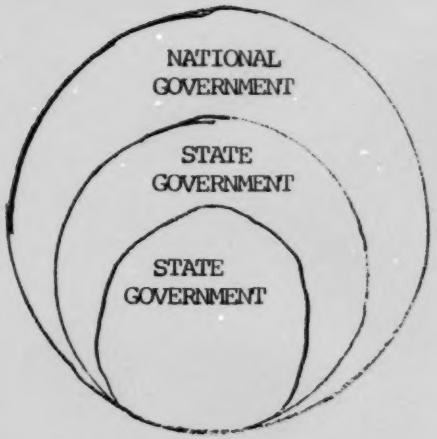
24/Wright, p. 24.



I
SEPARATED-AUTHORITY,
DUAL-FEDERALISM MODEL
("STATES' RIGHTS"
CONSERVATIVE)



II
OVERLAPPING-AUTHORITY,
INTERDEPENDENT MODEL



III
INCLUSIVE-AUTHORITY,
CENTRALIZED-FEDERALISM
MODEL (LIBERAL)

FIGURE I

SPECTRUM OF INTERGOVERNMENTAL RELATIONS MODELS

SOURCE: DEIL S. WRIGHT, UNDERSTANDING INTERGOVERNMENTAL RELATIONS, WADSWORTH 1978, p. 20.

The three kinds of grants which are used in the federal grant-in-aid system -- revenue sharing, block grants, and categorical grants -- form a similar type of spectrum (see Figure 2) to that developed by Wright (Figure 1). In effect, the different grant types make up a continuum, "shading gradually from maximum federal prescription and control to maximum recipient discretion," 25/ and the distinctions among the three types of grants essentially have to do with varying combinations of three types of characteristics:

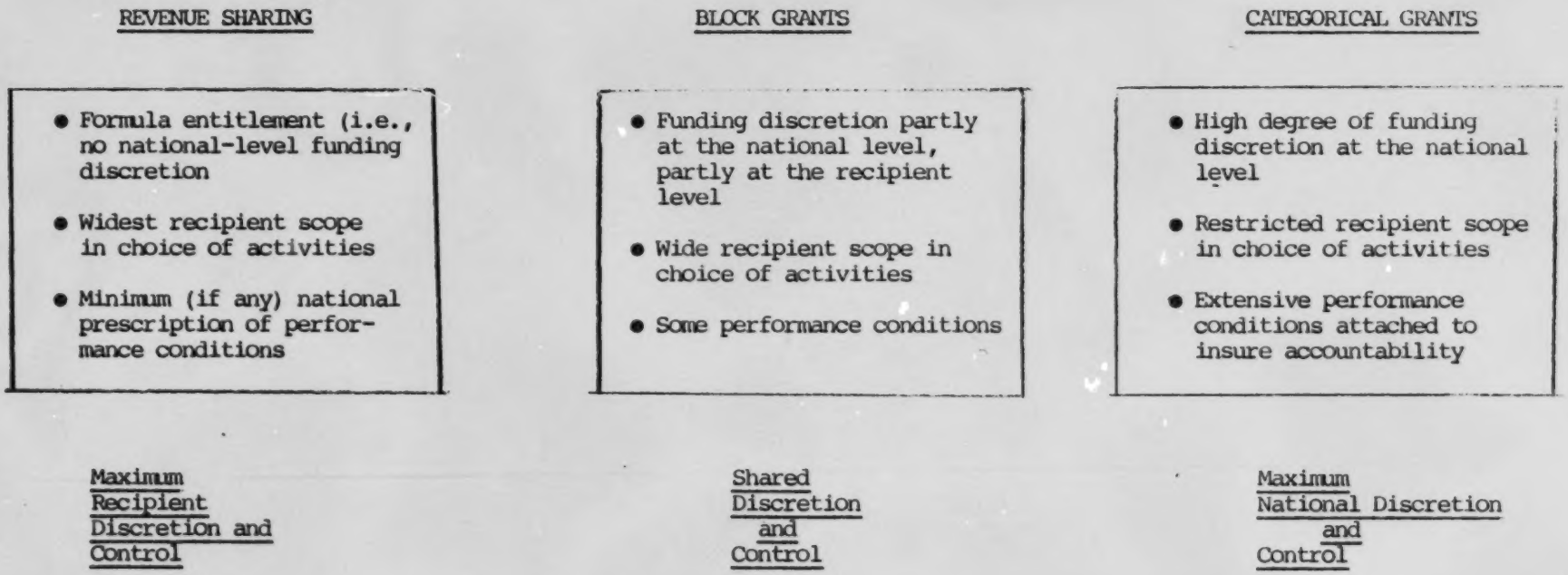
- the range of funding discretion vested in the federal grant administration;
- the range of discretion bestowed on the recipient in choosing activities upon which to expend grant funds; and
- the type, number, detail, and scope of conditions attached to the grant program. 26/

(It should not, of course, be inferred from the above that there is only one type of categorical grant or one type of block grant. On the contrary, there are many different kinds of categorical grants -- e.g., formula-based, project, formula-project, or open-ended reimbursement grants -- and many kinds of block grants, see below, Section IV).

25/Advisory Commission on Intergovernmental Relations, The Intergovernmental Grant System: An Assessment and Proposed Policies, Summary and Concluding Observations, June 1978, p. 4.

26/Ibid. p. 3.

FIGURE 2


REVENUE SHARING
BLOCK GRANTS
CATEGORICAL GRANTS
• Formula entitlement (i.e., no national-level funding discretion
• Widest recipient scope in choice of activities
• Minimum (if any) national prescription of performance conditions
• Funding discretion partly at the national level, partly at the recipient level
• Wide recipient scope in choice of activities
• Some performance conditions
• High degree of funding discretion at the national level
• Restricted recipient scope in choice of activities
• Extensive performance conditions attached to insure accountability
Maximum Recipient Discretion and Control
Shared Discretion and Control
Maximum National Discretion and Control

Source: Derived from the Advisory Commission on Intergovernmental Relations, The Intergovernmental Grant System: An Assessment and Proposed Policies, Summary and Concluding Observations, June 1978, text pages 3-4.

In juxtaposing the spectrum of grant-types against Wright's models, it seems intuitively obvious that the revenue sharing grant, which leaves maximum discretion and control to the grant recipient, would be the preferred mode of the Separated Authority (states' rights or conservative) model; that the categorical grant, which leaves maximum discretion and control to the national government agency, would be the preferred mode of the Inclusive Authority (centralized or liberal) model; and that the block grant (or consolidated grant, or formula-based categorical grant) would be a terrain of compromise between the two ideologies and models.

This realization, of course, raises the question of why a deeply conservative Administration would choose block grants over revenue sharing, and gives rise to the speculation, discussed in the Introduction, that accountability is a desired component of the Reagan proposal. Effective accountability, however, has not been easy to achieve, even with categorical grants.

Indeed, categorical grant programs have been situated, as often as not, within a sort of bargain-exchange universe, in which the national government offers funds to state and local governments and they, in turn, agree to implement a program, and carry out federal conditions (such as providing matching funds, and meeting accounting, reporting, auditing, and performance-measure requirements). There have, however, been few sanctions attendant upon failure to carry out any

particular parts of the agreements, 27/ and there has therefore been little incentive at any level of government to undergo the costs and difficulties of properly scrutinizing program operations. Under these conditions, and especially where effective monitoring of these programs has been absent, a pattern of uncertain follow-through on promises made and responsibilities accepted has developed, becoming both a common occurrence and a source of tension among federal, state, and local officials and practitioners, with respect to many different programs and substantive areas.

Although these tensions, and others, have been tacitly recognized in the successive versions of federalism which have come and gone (not just the "dual" and "centralized" federalism of Wright's models, but also: "creative" federalism, "cooperative" federalism, "the new" federalism, and 29 others), giving emphasis sometimes to national power (as in categorical grants under President Johnson) and sometimes to state power (as with revenue sharing under President Nixon), it is not clear that any of these, to this date, has notably improved the intergovernmental relationships which so powerfully facilitate or impede the successful implementation of federal programs.

27/In the words of one practitioner, "There's practically no history of federal funds being cut off because they (local projects) didn't achieve their objectives." Jean Narayanan, in E. Chelimsky, Proceedings of a Symposium on the Institutionalization of Federal Programs at the Local Level, MITRE Corporation, M78-80, Appendix I, page 511, May 1979.

Many state and local officials assert that categorical grant programs are an objectionable method for bringing pressure to bear on them to do what the national government thinks they should do, and, in truth, this is usually the case: categorical grant programs are mandated to implement national policy. Whether this is objectionable or not, however, relates to the ideological and federalist perspectives of the observer: that is, an urban official with a liberal ideology and a belief in centralized ("Inclusive-Authority") federalism living in a rural-dominated state is not likely to find either the method or the categorical grant objectionable at all; on the contrary. Conversely, the fact that the implementation of national policy through categorical grant programs can be, and is, resented at state and local levels is good evidence that the Separate-Authority model is not dead.

A specific, philosophically-based federalist criticism of categorical grant programs has thus been, first, that too much power is vested in the national government at the expense of states and localities 28/; and second, that this overweening

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28/For example, then Missouri Governor Warren Hearnes expressed it this way in 1971: "The federal government publicizes the program; it is ballyhooed nationwide. The states are pulled into the program, and then the federal government starts changing the ground rules. Usually, they change the percentage of money contributed by the federal government or they change the rules and regulations. The result is the same: the states are left holding the bag." (B. Kovach, "States Grow Wary of Cost-Sharing Aid," The New York Times, November 27, 1971.)

power (expressed in red-tape, overlapping jurisdictions, and uncoordinated requirements at the national level) has made it impossible for states and localities to carry out the programs effectively.

At the national level, on the other hand, "opportunism" or money-grabbing on the part of state and local officials is taken almost as a matter of course. 29/ Given this perspective, state and local complaints tend to be viewed as mere

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29/At a recent symposium (See E. Chelimsky, Proceedings of a Symposium on the Institutionalization of Federal Programs at the Local Level, MITRE Corporation, May 1979), there was consensus (mostly, but not exclusively, among federal participants) that opportunism at state and local levels is both routine and a national problem. For example:

- "So long as you've got money going out there, they're going to apply for it" (Eberly, ACTION, p. 32 of the Appendix volume).
- "Our evaluation evidence has shown that many local programs were started with an opportunistic motive, simply for the purpose of obtaining federal funds" (Bezdek, Office of Education, pp. 440-441 of the Appendix volume).
- "The simple fact is that those federal programs which are completely out of step with local priorities are those federal programs that aren't assumed after any period of time. The federal programs that are in step, or at least within the ballpark, are the ones that are assumed. Now, I don't know how you narrow the gap, but up to this point, we've put most of the onus on the federal government which, we say, should be more sensitive to what the local needs and priorities are. I think we also have to put some of the onus on the localities and the states and say, 'Maybe you ought not to apply for some of these glittering balls on the Christmas tree that aren't really within your own scope of discretion and ignore many of the federal programs that are available.'" (Richard Wertz, State of Maryland official, unpublished symposium discussion, Working Panel I.)

pretexts to excuse failure in holding up the state or local side of the bargain (failure, for example, to carry through on the implementation, coordination of local government services, data collection, or evaluation of a program for which funds had been provided by the national government.)

The program goals themselves are another major source of tension across the intergovernmental network. Here, however, it often occurs that federalist and ideological positions not only interact with, but even substitute for each other during the debate on the issues. In the case of categorical grants to education, for example, many of those who have argued against them on the grounds that this historically state and local function would then be located at the "wrong" level of government, were often tacitly arguing against more federal expenditure, more taxes, more inflation, and more redistribution of income or other resources.

There are, thus, conflicts in goals and priorities which occur across levels of the intergovernmental system, and categorical grants have often been used "to serve two different and distinct purposes -- not only to aid local agencies to adopt more effective strategies of service, but also to change their goals and priorities." 30/ Again, in the words of a federal-level practitioner:

30/Carol H. Weiss, in E. Chelimsky, Proceedings of a Symposium on the Institutionalization of Federal Programs at the Local Level, MITRE Corporation, May 1979, Volume I, pp. 56-57 (italics added).

> I think that not everything that is a high national priority is a priority to local people, and it's sort of a mixing bowl . . . We have to modify federal initiatives to take into account local people's concerns and needs and willingness to go along with them, and in the process, what might be wished for at the federal level gets changed as it goes to the state and the local levels. We also have to face the fact that we have a local power structure at every local level, and sometimes the people who get certain national priorities set through their pressure groups are not necessarily those who are most in control locally. 31/

This is a long way from the national liberal view (noted earlier) of states and localities as a monolithic entity (see footnote 38 below).

31/Ibid., see the Appendix, p. 96, remarks of Claude Bennett.

III. THE CURRENT CRITIQUE OF CATEGORICAL GRANT PROGRAMS

In brief, then, categorical grants have received philosophical-normative types of criticism emanating from both ideological and federalist perspectives, and one place where both of these perspectives have converged is in the area of program goals (see footnote 1). Indeed, categorical grant programs have typically had six different kinds of goals, many of them likely to be unacceptable, *a priori*, to conservatives and states' rights federalists. These are: 32/

(1) Cash transfers or transfers-in-kind of collective goods (e.g., social or mental health services) to low income or other target population groups;

(2) The diffusion of innovations in the delivery of public services (to increase productivity via the introduction of modern information processing equipment, for example);

(3) The development of needed skills and capabilities at state and local levels, and within the labor force generally (often also called "capacity-building" or "-sharing");

(4) The dissemination of information and the attempt to influence local consumer preferences in accordance with national policy (vaccination, speed-limit, anti-alcohol or anti-smoking campaigns, for example);

(5) The improvement of the bargaining power of the poor, of minorities, and of the disadvantaged at the local level (via employment training or unemployment compensation, for example); and

(6) The removal of obstacles raised by jurisdictional boundaries (usually through grants for multi-jurisdictional planning, or through 100 percent funding, where required).

32/Adapted from Charles L. Schultze, "The Great Society Versus the New Federalism: Sorting Out the Social Grant Programs" in The American Economic Review, May 1974, pp. 183-185.

All of these goals, however--whether or not they are acceptable to everyone--derive either from traditional kinds of collaboration which have always existed within the federal system, 33/ or from more recent income redistribution policies begun in 1913 (made possible, in fact, by the income tax, which was a straightforwardly redistributive measure). Service programs such as Medicare and Medicaid 34/, or Aid to Families with Dependent Children 35/ (AFDC) clearly embody and crystallize one or more of these objectives.

Despite its somewhat hallowed traditions, however, the categorical grant program as a policy mechanism is now the subject of criticism coming not only from conservatives and states' righters but from every ideological direction and every level of the federal system. This was not the case for

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33/See Daniel J. Elazar, The American Partnership, University of Chicago Press, Chicago, 1962. Elazar notes, p. 34, that the joint-stock company, for example, which dates from the earliest period of American history, provided a formal means by which the national government could supply "funds, technical aid and equipment to the states for internal improvements that were considered to be in the direct national interest, while retaining a sufficient measure of control over the plans, construction and use of the improvement in question."

34/Programs introduced in 1965, to fund health services for the elderly and for the disadvantaged.

35/A public assistance program first introduced as part of the Social Security Act in 1935, and later federally funded (under the Public Assistance Law of 1962) to implement "a new approach, stressing services in addition to support, rehabilitation instead of relief, and training for useful work instead of for prolonged dependence." (President John Kennedy, Social Security Bulletin No. 25, 1962, cited in Claire Wilcox, Toward Social Welfare, Irwin, 1969, p. 241).

service programs developed under the liberal New Deal. Contemporary criticism of those programs (e.g., accusations of socialism, interventionism, academism, red tape, confusion and waste, on the one hand, or of irrelevance and irrationality resulting from an unwillingness to attack "the root causes" of social problems, on the other hand) had typically come either from conservatives who were politically weakened by the Great Depression, or from ephemeral, "share-the-wealth" Populists (under Huey Long) and from a small, splintered radical movement. President Roosevelt's overwhelmingly dominant liberal reform movement could thus fend off most of these accusations, although it did make some efforts to placate the Populists during their period of political ascension. 36/ Again, in the '60s, the Kennedy/Johnson "massive innovative wave" 37/

36/One analyst observes:

> "As a matter of historical record, the New Deal was not seriously interested in taxation as a means of income equalization--despite its frequent assertions that it was. Roosevelt actively supported the Revenue Act of 1934, but his support for the somewhat stronger 1935 Act was equivocal and was finally obtained only because he feared the growing appeal of Huey Long's "Share-the-Wealth Clubs" and attacks by progressives in Congress... Before 1941, the New Deal practice on personal-income taxation was, despite its difference in verbiage, essentially a continuation of that of the Hoover Administration (Gabriel Kolko, "Taxation and Inequality" in David Gordon, ed., Problems in Political Economy, D. C. Heath, 1971, p. 255).

37/James L. Sundquist with David W. Davis, Making Federalism Work, The Brookings Institution, Washington, D.C., 1969, p. 261.

would give short shrift to the complaints of conservative doubters generally, and at state and local levels in particular 38/, but did lend an ear to (domestic) radical movements which appeared to be gathering political momentum on its left.

What is different, then, today is that much of the current criticism of categorical grant programs derives from liberals who were the architects and supporters of the very programs under attack. This criticism has, of course, occurred on the basis of performance, not of ideology. But these liberals thus join the ranks of conservatives, who would normally be expected to oppose the programs on ideological grounds (although many have also voiced criticisms of program performance), and of those intergovernmental system practitioners, administrators and legislators who have come to see in service programs a glaring exposition of the flaws in the current ability of the intergovernmental network to act effectively in response to public problems.

One of the inferences which may be drawn from the above discussion is that a problem with liberal thinking in the past may have been a failure to recognize the importance and power

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38/Martin, commenting on the failure of the states to even attempt to cope with urban problems, reflects the liberal views of the '60s reformers, describing what he called "the state mind," composed of "rural orientation, provincial outlook, commitment to a strict moral code, (and) a philosophy of individualism"; solidly attached to a "spirit of nostalgia" and conservatism; and possessing "only intermittent and imperfect contact with the realities of the modern world" (see Roscoe C. Martin, The Cities and the Federal System, Atherton Press, 1965, p. 77).

of the federal system framework in the implementation of categorical programs. This failure, however, appears to have been both integral to certain liberal beliefs and goals, and a predictable result of them. The liberal faith in centralization, given the conservative stance taken by many states and local governments with regard to social reform (a stance which may have closed liberal ears to any validity in their criticisms), the inability of reform governments to maintain the integrity of needed program planning 39/, and the liberal preoccupation with national objectives which was so intense and exclusive as to divert talented liberal attention from focusing also on the

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39/This weakness in planning--while it appears to have characterized the great majority of liberal service programs--seems to owe as much to outside constraints upon that planning and those programs as to anything intrinsic in the liberal philosophy itself, however. The account by Marris and Rein of the problems which beset planning in some programs implemented during the War on Poverty is eloquent with regard to some of those constraints: in particular, (1) the strictures of time, (2) the lack of prior evaluation results to substantiate and support planning, (3) the need for an on-the-spot invention of a new theory of social rehabilitation (which had to be developed and tested simultaneously with program operationalization and which was then said to have been proven unworkable), (4) the tension--within the planning process--between advocacy and experimental skepticism (which was nearly always resolved in favor of advocacy), (5) the conflict--outside the planning process--between rational program development and action, and finally (6) a generalized feeling that the planning process "dissipated funds which should have been spent either to finance small-scale, practical demonstrations, or to enable what was known already to be put to effective use" (see Peter Marris and Martin Rein, Dilemmas of Social Reform, Aldine, 1973, pp. 212-214). Alas for this view: first, even "small-scale, practical" programs require a great deal of planning if they are to be accountable with regard to what they accomplished; second, very little was "known;" and third, translating that which is known into "effective use" is a difficult matter which cannot easily be accomplished without effective planning.

means for achieving them, 40/ are all factors which impeded awareness of growing state and local criticism.

This is not, of course, to assert that failures of implementation are restricted to liberal social programs, categorical or otherwise. The mindset attending the Three Mile Island nuclear plant system design, with its inattention to the most ordinary needs of operational procedures, and the implementation-monitoring difficulties prevalent in service program activities championed by conservatives (crime control or court-delay reduction efforts, for example) illustrate adequately that implementation failures are neither a social nor a liberal nor a governmental monopoly. They are, however, of particular concern to liberals insofar as liberals have identified themselves with social reform and are hence responsible for the federal initiatives--especially categorical grant programs-implemented in pursuit of that reform.

40/Forcey, in discussing the 1900-1925 liberal movement, remarks:

> Croly, Weyl, and Lippmann wanted "great national organizations of teachers, social workers, business and professional men, farmers and trade-unionists" to replace legislatures and political parties as "the really representative members of...(the) political body." In effect, the combination of leadership with nonpartisan reform meant a melding of the political theories of the three men. The strong leaders featured by Croly and Lippmann were now placed at the head of Weyl's great band of reformist consumers. Men of good will from all walks of life were to move without partisan strife toward a progressive millenium. Nothing, perhaps, so much revealed the utopian bent of writers who were in so many other respects stern realists. Nor did anything more clearly demonstrate the all-important faith of Croly, Weyl, and Lippman in the continuing promise of middle-class liberalism. (Charles Forcey, The Crossroads of Liberalism, Oxford University Press, 1961, italics added).

The implementation deficits which have occurred in many programs are now well recognized by at least some liberals. In the words of Senator Levin:

> My fear is that the programs I so strongly support are going to be doomed--not by a flaw in intent but by a flaw in implementation. 41/

It is not clear, however, that the failure of the categorical grant concept to integrate the federalist administrative and practitioner network -- which is a major component of the "flaw in implementation" -- is as well recognized or understood. Nonetheless, as discussed earlier, this failure figures prominently among performance criticisms currently levelled at categorical programs.

In addition to failures of planning, of implementation, of networking and of evaluation, however, categorical grant programs have helped to produce an unanticipated side-effect: the creation and multiplication of interest groups. This development has become the source of an important (and newer) criticism levelled at categorical grant programs: to wit, that service providers and service beneficiaries have evolved into stakeholders, that new organizational structures have been built and new political alignments or coalitions have developed because of them, and that the public, in general, is no longer well served in these circumstances. The War on Poverty, for example, supplied Mayor John Lindsay of New York with a surrogate for the

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41/Carl Levin, "Keepers of the Dream," The Washington Post, August 2, 1979.

party support he lacked. (As Lindsay remarked, "The community corporations cracked up traditional systems..the traditional Democrats were more fearful than my crowd. I supported the Poverty Program, the black community knew I would support it... now I don't have to call them for payoffs. They'll support me in the fall." 42/) Other city officials have used categorical programs to prevent the organizations which elected them from dissolving (as an example, Mayor Ivan Allen of Atlanta, who was elected by "an unstable coalition of blacks and businessmen," cemented that coalition "primarily through his ability to get and give federal patronage in the form of grants for the benefit of both groups." 43/)

Not only have categorical programs influenced the development and viability of interest groups, however; interest groups have also influenced the development and viability of categorical programs. Intervention by stakeholder groups at the program planning stage may mean that legislation is postponed or never

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42/"What the antipoverty program offered minority groups was the opportunity to participate in government in the same way that traditional machines enlisted citizen involvement: giving away a piece of the action. And while the antipoverty program did not break up the city machines (as some of its advocates argued), it did threaten them, for what it accomplished was the broadening of the patronage base to undercut those political leaders who traditionally dispensed patronage. For this reason, many Republican leaders, such as George Romeny of Michigan, tried to save the program, while many Democrats, particularly Democratic mayors, worked behind the scenes to weaken it." (Martin and Susan Tolchin, To The Victor, Vintage Books, 1972, pp. 77-80).

43/Ibid., page 67.

enacted, as was the case with President Kennedy's "bold new approach" to mental health centers in 1963:

> The hearings went forth, both in the Senate and in the House. The original proposal was for legislation that would provide money to build mental health centers and also staff them. Now, at that time, the American Medical Association was very much against what they called socialized medicine, and they saw the staffing provision--money to hire staff--as smacking of socialized medicine. Building was all right, however; there'd been the Hill-Burton program for years to build hospitals and health facilities. The AMA was able once again to swing enough weight, to object strongly enough, so that the final legislation which emerged in 1963 was a construction program. For two years, that's what we had. 44/

Interventions by stakeholder groups at the program implementation stage have been equally powerful. If programs to increase productivity in a city agency, in the classroom, or in a police district, for example, are opposed by municipal, teacher or police unions which can paralyze city operations with strikes, or control state legislatures with campaign funds, these programs are not likely to be either well implemented or institutionalized.

These circular interactions between categorical programs and interest groups mean that: (1) these programs (and other federal policy mechanisms) have enormous obstacles to overcome in areas where stakeholders are both opposed to the program and entrenched; (2) where programs address goals desired by powerful

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44/Lucy Ozarin in Eleanor Chelimsky, Proceedings of a Symposium on the Institutionalization of Federal Programs at the Local Level, MITRE Corporation, May, 1979, Appendix to Volume I, p. 810.

stakeholder groups, federal efforts will be facilitated in the Congress (and also at state and local levels, insofar as stakeholder influence is reflected in individual state and local power structures); (3) federal agencies are stimulated to work very closely with stakeholder groups and the relevant congressional committees, thereby forming (and contributing to the multiplication of) "iron triangles;" 45/ and finally, (4) units of general state and local government--at least partly in reaction to these developments and relationships--now find themselves taking on (willingly or defensively) some of the characteristics of stakeholder groups. This last point is of importance because the federalist perspective of state and local units which are also stakeholders is likely to be different from the perspective of those which are not.

The increasing dependence of state and local governments on federal aid, along with the increase in number, strength and scope of stakeholder groups, has now blurred earlier distinctions between governmental and lobby groups. States, cities, counties, regional councils of government, all have built staffs in Washington to try to shape the federal grant formulas to their benefit and to achieve a more dominant voice in federal policy. Almost half the states now maintain grantspersons in Washington.

45/The operation of an iron triangle usually involves a smooth and solid relationship among (a) an administrative federal agency. (b) the relevant legislative committees and subcommittees, and (c) an intercessor client group or lobby.

"to look for more federal money" for their own state. 46/ But the dependence which such a relationship has generated was recently made clear when the states were warned by a U. S. Senator about their efforts to develop a budget-balancing amendment:

> It's not a threat, but a matter of arithmetic. We could save $31 billion...merely by killing revenue sharing, education grants, sewerage construction and block grants. 47/

All of these factors -- the growth in numbers and influence of stakeholder groups (whether hostile or supportive); the fact that the responsibility for this growth is at least partly attributable to categorical grant programs; and the transformations which that growth appears to have engendered in the nature of governmental relationships and in the character of the programs themselves -- have notably added to current criticisms of categorical programs.

In summary, ideological and federalist criticism of categorical grant programs has been joined more recently by a public critique of the stakeholder or interest group phenomenon. Beyond the predictable focus of conservative criticism on program goals, there has also been a strong conservative critique of program performance, involving the effects of

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46/John Herbers, "Deep Government Disunity Alarms Many U.S. Leaders," The New York Times, November 12, 1978.

47/Senator Edmund Muskie, Speech before the National Press Club, cited in Art Pine, "Senator Muskie Criticizes States on Budget-Balancing Moves," The Washington Post, February 14, 1979.

programs and program regulations on market operations, on the economy, on personal or corporate freedom, and on the social order (impacts of public assistance on the "work ethic," for example). The criticism of interest group influence has tended to reinforce the conservative critique by bringing evidence to bear that the liberal goal of achieving social reform through innovative programs may have been transformed, at least for some programs, into the less avowable goal of achieving affluence and influence for some stakeholder groups. On the other hand, some liberal and federal system critics -- while rejecting the view that program goals were wrong, illusory or inappropriate -- have now come to view many categorical programs as inadequately realized, based on the experience of program performance over the past 15 years, and have become concerned as well about the increasing development of interest groups.

The following 14 criticisms present some of the major complaints about categorical grant performance which have been most frequently heard over the last few years. Categorical grants are accused of being:

(1) Ineffective in achieving their goals (examples typically given here are the AFDC, job training, environment-saving or federal crime control programs which are alleged neither to have reduced dependence on public assistance, nor moved well-trained people into private sector jobs, nor reduced air, water and noise pollution, nor made the streets safe, as they had promised, or had been expected, to do);

(2) Inefficient in their operations, involving both poor management and waste by agency administrators, and also abuse both by service providers and beneficiaries (examples given are the Medicaid program, where fraud is reported as considerable on the part of health care providers and where services are said to be of unacceptable quality, or the Comprehensive Employment and Training Administration program where local control and accountability have been considered inadequate, or the AFDC program, where recipient abuse is thought to be unacceptably high);

(3) Excessively centralized and controlled at the national level, thereby decreasing proper and constitutional state and local political independence and decreasing as well both the likelihood of program and service appropriateness, and the quality of implementation at the local level;

(4) Distortive of state and local priorities in the pursuit of national priorities: that is, the criticism is that categorical grants force state and local governments to find matching money they would not otherwise have spent without the existence of the federal funding; that they create dependence upon the national government (states and localities are often called "federal junkies" in this regard); and that their planning requirements use up many man-hours of local government time and scarce expertise;

(5) Substantively fragmented and uncontrolled across topical areas at the national level (both among and within agencies) due to the proliferation of similar or overlapping programs, thereby causing major problems of administration at local, state and national levels (fragmentation, or lack of coordination among agencies has meant that the federal agency manager of each program may pose different and complex requirements, despite simultaneous or concurrent jurisdiction with other agencies which operate independently: a recent example involves the town of Junior, West Virginia, which has spent seven years trying to conciliate the conflicting demands of six federal

agencies involved in its effort to build a sewage treatment plant; 48/ fragmentation within federal agencies has meant that the responsible management of public programs

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48/John Herbers, "Washington, An Insider's Game," The New York Times Magazine, April 22, 1979. Junior, which has a population of 633, was told by the Environmental Protection Agency (EPA) in 1970 to stop dumping raw sewage in the Tygart River. Although federal aid was available to construct a treatment plant, five agencies had to be consulted, each with its own procedures and requirements. But when the town proposed extending its sewer system 500 feet to please the Department of Housing and Urban Development (HUD), EPA refused approval because such an extension would not be "meeting an existing need." Junior retains 7 years of correspondence, applications, plans and other documents in its files, but still doesn't have its treatment plant, whose estimated cost has now tripled.

can become extremely difficult if not impossible to accomplish 49/);

49/Former HEW Secretary Elliott Richardson, discussing the 300-odd categorical programs administered by then HEW, remarked recently:

> "I counted the number of people who at any time reviewed the whole HEW budget and who undertook any serious effort to weigh competing claims among these 300 programs. On the Hill, one would count the appropriations subcommittees on both sides of the Congress. At HEW there was the secretary, the assistant secretary-comptroller, the assistant secretary for program evaluation and a few members of their staffs. Several staff personnel at the Office of Management and Budget and several members of the President's staff also looked at the budget as a whole. Outside of this relatively small group, there was no one who effectively undertook to weigh seriously the claims on behalf of handicapped children or adult education or research on leukemia against the vast array of competing claims that must be confronted day in and day out at the point where needs exist: at the local level." (Conference sponsored by the Smithsonian Institution and the Center for the Study of Federalism at Temple University, The Nation's Cities Weekly, February 16, 1979).

And former Commissioner of Education, Sidney Marland, told the Congress in 1973:

> "The Office of Education sprang very swiftly from a relatively small office in 1965 to an office with some $5 billion in its responsibilities and some 104 different laws and programs to administer in a relatively short period of time...The whole substance of program proliferation in the Office of Education has reached the point where it is causing almost impossible management problems to keep the lines of communication open, to avoid duplication and to maintain the infinite volumes of paper work surrounding categorical programs." (Cited in The New York Times, Edith Green, "Backer of Federal Aid Asks, 'What Went Wrong?'," January 16, 1974).

(6) Underfunded, such that success, in terms of stated objectives, is not a realistic possibility (a basic failure of public housing, for example, is that demand vastly exceeds supply; the same is true for day care and public service jobs);

(7) Inequitable, when the supposed beneficiaries benefit little, if at all, versus other populations (public housing, urban renewal and manpower or employment training programs are most often cited as examples: it is claimed that "urban-renewal programs have destroyed twice as many dwellings as they have built; 50/ that they benefit developers and the affluent who move into "luxury hotels and apartments"--created with money from HUD--rather than the needy; that public housing serves the "non-threatening" elderly--of the 3.2 million people now living in 1.2 million public housing units, 48 percent are elderly--rather than low-income, and especially minority, families; and that public employment and training programs have typically benefited populations other than the poor, as, for example, in the CETA program, where federal funds have been used (or misused) to rehire teachers, policemen and firemen whom municipalities could no longer afford to pay, or in earlier programs where "less than half the participants in public service jobs were economically disadvantaged" 51/); in particular, and very significantly, it is claimed that categorical grant programs have often done

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50/See Claire Wilcox, Toward Social Welfare, Irvin, 1969, p. 282.

51/Mayor Ernest N. Morial of New Orleans, in a statement at a Hearing on Structural Unemployment and Public Policy, before the Joint Economic Committee, March 17, 1978 (USGPO), p. 35.

more to stimulate the growth of state and local bureaucracies than they have to impact substantively on the social problem addressed; 52/

(8) Generative of decreased (or decreasingly rising) national economic productivity, as a result of the induced expansion of the public sector whose contribution to economic productivity, although difficult to quantify, is typically calculated as low relative to the private sector;

52/This criticism is often made in education programs where administrative personnel have continued to grow despite the shrinking size of school populations. But it is made as well in other areas. In the case of federal child health programs (Title V of the Social Security Act) in Connecticut, for example, Altenstetter and Bjorkman have noted:

> (T)he number of Connecticut's children served by (Title V) programs has been minimal and the percentage served has actually declined. In direct effects, federal intervention increased money supply but fewer children were served. Furthermore, while these programs conformed initially to the federal requirement of providing rural services, they now serve both urban and rural areas equally well by serving them equally badly. (However) while the Title V programs have had a poor performance record of direct service impact in Connecticut, their indirect effects are more marked...the federal government had augmented state resources for child-care services and has stimulated the state bureaucracy's growth...Program monies were spent on supplementary functions to establish and enlarge the state bureaucracy... It may be inferred that, contrary to the explicit letter of the congressional law, the real federal goal under Title V was to build up the state's administration. If so, the programs were resoundingly successful. But when federal dollars pay for administrative expenses, they cannot buy tangible services for the target population of children. (Christa Altenstetter and James Warner Bjorkman, "The Rediscovery of Federalism: The Impact of Federal Child Health Programs on Connecticut State Health Policy Formation and Service Delivery" in Public Policy Making in a Federal System, Charles O. Jones and Robert D. Thomas, eds., Sage Publications, 1976, pp. 228-233, italics added.)

(9) Productive of overgreat expectations: that is, the promise of equality implied by federal service programs is in fact a disservice to those they purport to serve, in that they raise hopes which cannot be fulfilled (as, for example, in the effort to reduce current rates of unemployment among inner-city minority youths which far exceed those of the Great Depression; the point here is that while job skills can be taught and learned, if the real problem for these youths in getting and holding jobs in the private sector is that the economy "doesn't really need these kids", 53/ then the teaching and learning of these skills are futile exercises;

(10) Value-eroding (that is, service programs are not only productive of disappointment because of underfunding, inequitability, and illusory expectations of utopian equality, but they also tend to demean the idea of merit and of reward for merit; the pursuit of equality, in this sense, is said to have reversed the old humanist idea that justly earned rewards should not be denied because of race, creed, sex or age, and converted it to one in which those rewards are claimed because of race, creed, sex or age, as opposed to merit 54/);

53/Sar Levitan, cited in "Does CETA Work?," The Economist, April 29, 1978, p. 52. For Levitan, as for the late Kermit Gordon of Brookings and for Wilbor Cohen, former Secretary of HEW, the best anti-poverty program is a healthy, prosperous economy. Yet, economists like Michael Piore argue that workers' jobs, income and status are not uniformly reflected throughout the economy, that job markets are stratified in various ways and that hence, overall prosperity cannot be expected necessarily to provide jobs for inner city youth (see Michael Piore, "Jobs and Training," in Beer, Barringer, eds., The State and the Poor, Winthrop, 1970).

54/Daniel Bell, cited in William Greider and Nick Kotz, "False Hopes and Faulty Panaceas," The Washington Post, 8 April 1973.

(11) Bureaucratizing: that is, tending to substitute compliance with bureaucratic rules and regulations for the achievement of substantive--and formally targeted--program outcomes; 55/

(12) Non-terminable and non-controllable, because of the enduring power of their constituencies, and productive of additional interest groups, either developed at state and local levels because of categorical grant funding, or constituted nationally as the result of new programs (programs for the elderly and the handicapped, for example);

(13) Wasteful, in terms of increasing the use of public monies for salaries and administrative expenses; and finally,

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55/Mayor Hatcher of Gary, Indiana, has pointed out this problem:

> We finally, about a year or so ago, decided that something had to be done in order to get developers into the area. First of all, we asked HUD to approve the site for the construction of moderate-income housing and HUD then refused to approve the site. They notified us that the area would create too large a minority "impaction" to allow federally-subsidized housing to be built there. That was an interesting conclusion in view of the fact that in the city of Gary, the minority is the majority and there is nowhere in that community that you could build where there would not be significant minority "impaction."

(Richard Hatcher in Eleanor Chelimsky, Proceedings of a Symposium on the Institutionalization of Federal Programs at the Local Level, MITRE Corporation, May, 1979, Volume I, Page 133.)

(14) Self-interested: that is, categorical grants are said to enhance a tendency on the part of agencies and service-providers, themselves stakeholders, to be inward-looking, and to put their own interests ahead of those of program beneficiaries. 56/

This synthesis of the defects ascribed to categorical grant programs, most of which have been frequently repeated in the literature of the past few years, 57/ gives rise inevitably to the question: If these programs are so bad, why have they been in vogue for so long? In effect, in weighing the shift to block grants, it is also important to ask what qualities and advantages categorical grants may possess that explain their survival to date despite such a chorus of disapproval.

First, there is unquestionably the matter of national objective, of legislative intent. The characteristics of the current categorical grant system reflect decisions made by the Congress to serve national goals as defined by the Congress.

56/Yin noted in a recent study that perhaps the most important incentive for agency adoption of an innovation is its usefulness for staff. But the criteria by which staff judge an innovation--for example, convenience,, reduced effort, additional sense of safety, etc.--usually have little to do either with gains to the public or improved service to clients. (Robert K. Yin, Changing Urban Bureaucracies: How New Practices Become Routinized, The Rand Corporation, March 1978, p. 127.

57/In particular, the synthesis was developed using materials from E. Chelimsky, The Proceedings of a Symposium on the Institutionalization of Federal Programs at the Local Level, Volume I and Appendix, MITRE Corporation, M78-80, May 1979, a conference which was jointly funded by the National Institute of Education, the National Institute of Justice, and the MITRE Corporation. This symposium brought together national, state, and local government program managers along with evaluators and auditors in an effort to examine federal program problems and discuss ways of addressing them.

When these grants are administered and controlled at the national level, it is possible to target very specifically the kinds of problems (e.g., poverty, sickness, inner-city housing deterioration, etc.) which the Administration and the Congress feel must be addressed nationwide as matters of national policy and priority, as well as the kinds of populations (children, elderly, the mentally ill, crime victims, etc.) who have the greatest need of help, even using conservative criteria for government activity (see footnote 1).

Second, there is the matter of direct accountability for federal funds. Since categorical grants have typically been quite clear about what the national objective is, this allows various functions to occur which bring knowledge of (1) whether the implemented program at state and local levels is faithful to the national purpose; (2) whether the program is well implemented and well managed, according to that purpose; and (3) whether the program made any difference. Since the basic concept is that of a contract, there is an obligation and a quid pro quo on each side. As one federal administrator has expressed it:

> A large proportion of categorical grants provide a specific sum of money, with a very high federal matching ratio (80, 90, or 100 percent) for a very particular purpose, and specify the delivery of very particular forms of collective goods . . . (M)any of these grants are a means by which the federal government uses state and local governments (or in some cases local non-profit organizations) as agents or subcontractors to produce centrally determined amounts and kinds of collective goods, since, for a number of reasons, principally historical and political, the federal government itself virtually never delivers collective goods or services at the local level. 58/

With categorical grants, therefore, there is, at least theoretically, a kind of bargain-exchange situation which specifies both expectations and willingness to perform on the part of the contracting parties. This builds in understandings of anticipated performance, measurement of that performance, and remedies for lack of performance if the need should arise. In short, categorical grants try to assure that the public gets value for its money; yet it is this very effort which has been responsible for many of the complaints levelled at categorical grants: red tape, data collection, to performance forms and questionnaires to fill out, applications to file, plans to rationalize, and so on.

Third, there is the matter of national capability and expertise. Although there is, of course, variability in different substantive areas, the national government, its civil servants

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58/Charles L. Schultze, "The Great Society Versus the New Federalism: Sorting Out the Social Grant Programs" in The American Economic Review, May 1974, pp. 182-183.

and its research arms have a long record of capability and demonstrated technical skills in administering complex programs. Categorical grant programs have especially benefited from this institutional expertise, and, above all, from the continuity of that expertise, at the national level. Although some states and localities may have equal expertise, this is not true of all states and localities. In particular, it is difficult to compare state and local programs with national programs because most of the former are never evaluated.

Fourth, there is the matter of program information at important decision points. The presence of evaluation staff and evaluation mandates in national-level agencies has permitted the preparation and planned coordination of nationwide program reports for the use of Executive Branch and Legislative Branch decisionmakers. In this way, information about program status is generally available, and both sets of users are assured (1) that the data developed at state and local levels can be planned for and designed in terms of their relevance to user information needs and decision-points; and (2) that the reliability and validity of evaluative information developed at state and local levels can be checked.

Fifth, there is the matter of program integrity. Categorical grant managers, who are responsible at the national level to the President and the Congress, are required to monitor programs carefully to ensure ongoing knowledge of management problems. Audit staff at the national level can be held responsible

under categorical grants for reporting on the maintenance of adequate accounting and inventory systems at state and local levels. This signifies a national check on whether state and local agency accounting, inventory, and unallowable expenditure problems are being identified and corrected, and on whether financial status reports, for example, are accurate.

Sixth, there is the matter of national program standards. The categorical grant system features a reasonable level of similarity among state or local programs. This diminishes the incentive for program clients to cross state lines to obtain better (or different) benefits, and it ensures some equality among states with regard to federal programs.

Seventh, there is the matter of interstate control. Categorical grant programs can assure coordination across states in topical areas such as disease or pollution, which do not respect state boundaries. Interstate tracking of "neighborhood or external effects" such as public health risks has always been a national-level responsibility, even under the most conservative criteria (see footnote 1).

Finally, there is the matter of topical areas involving shared responsibility, such as the health care or criminal justice "systems." The categorical grant system can ensure that federal monies are targeted according to need and so as to promote coordination and interdependence (when the national policy so dictates) by settling the issue of "Who gets how much"

outside the framework of historical organization and power at the state level.

In summary, although categorical grants have been heavily criticized for defects of implementation, they also present major qualities which may be important to try to retain. As the shift to block grants is contemplated and debated, it is therefore useful not only to examine which of the 14 problems outlined above are likely to be improved or solved, but also, which of the 8 advantages may be degraded or lost. Some categorical programs, after all, have achieved major successes in meeting their objectives. The Food Stamp program, Head Start, Education for the Handicapped, all have done a lot of what they set out to do. The point here, however, is that the reason why their success has in fact been demonstrated through audit and evaluation is that audits and evaluations were among the conditions that recipients had to accept in order to receive their categorical grants. Eliminating these conditions, then, carries the major risk that the performance of federally funded programs will remain essentially unknown.

IV. BLOCK GRANT PROGRAMS AS A REMEDY TO THE CRITIQUE OF CATEGORICAL GRANT PROGRAMS

In analyzing prospectively what block grants are likely to mean vis-a-vis the problems and advantages of categorical grants discussed above, it is first necessary to pinpoint (more specifically, perhaps, than in figure 2 above) what a block grant is. To say that it occupies the midpoint between the "no-strings-attached" approach of revenue sharing and the "tight national control" of categorical grants does not characterize the mechanism with much precision. Furthermore, it is not even clear that a block grant does occupy such a midpoint, given that there are so many different forms of block grants, some closer to revenue sharing, some closer to categorical grants. The focus of that "midpoint" is even harder to situate over time if the experience of the past is any guide: in effect, as problems of accountability of one sort or another have arisen in the block grants of the seventies, a phenomenon known as "creeping categorization" has ensued as the Congress has struggled to exercise some control over the federal funds. Thus, a block grant which starts out in life as a transfer mechanism whose purpose is to increase recipient discretion over spending decisions may not, over time, end up doing so. In general, block grants can be more accurately described as occupying

"a span of policy space within which shifts may occur reflecting a balance between national (state) and local program preferences and power." 59/

The Advisory Commission on Intergovernmental Relations (ACIR) has identified five design characteristics which help to distinguish block grants from other types of federal transfer:

1. Federal aid is authorized for a wide range of activities within a broadly defined functional area.
2. Recipients have substantial discretion in identifying problems, designing programs, and allocating resources to deal with them.
3. Administrative, fiscal reporting, planning, and other federally imposed requirements are kept to the minimum amount necessary to ensure that national goals are being accomplished.
4. Federal aid is distributed on the basis of a statutory formula which results in narrowing federal administrators' discretion and providing a sense of fiscal certainty to recipients.

59/Paul R. Dommel, Brookings Institution, Statement Prepared for the Senate Committee on Labor and Human Resources, April 20, 1981, p. 1.

5. Eligibility provisions are statutorily specified and favor general-purpose governmental units as recipients, and elected officials and administrative generalists as decisionmakers. 60/

Thus, a block grant may be defined as "a program by which funds are provided to general-purpose governmental units in accordance with a statutory formula for use in a broad functional area largely at the recipient's discretion." 61/ However, it is important to note that block grants neither fail to express the national objective sought in funding a program, 62/ nor do they eliminate (a) state and local accountability for the funds received, and (b) national responsibility for the appropriate use of national revenues. 63/

If evaluations are done so that a record of ongoing experience with block grants is developed, it should be possible to say whether the worst fears or most optimistic expectations have been realized. While it is hard to imagine that the block grants will eliminate all 14 of the problems cited in categorical funding, it is equally hard to imagine that a number of successes

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60/Advisory Commission on Intergovernmental Relations, Block Grants: A Comparative Analysis, October 1977, p. 6, italics added.

61/Ibid.

62/Michael D. Reagan, The New Federalism, Oxford University Press, 1972, p. 63.

63/Paul R. Dommel, p. 1.

will not occur. However, the absence of retrospective information does not preclude prospective examination of the likely ability of block grants to cope with the problems experienced by categorical grants. To begin with, it would appear that there are three problems which the block grant can be expected to affect favorably:

1. "Excessive centralization and control at the national level" should certainly be reduced by block grants; that is one of their major purposes. But while block grants are almost certain to address this criticism, it remains to be seen whether more local discretion will lead to better local implementation and management (see footnote 66 below). Further, it is not clear that "excessive centralization and control" at the state level will not be substituted for that of the national level. As the General Accounting Office (GAO) has pointed out, "Federal formula block grants to states often are transformed into discretionary categorical grants to local governments from the state." 64/

2. "Fragmentation and loss of control across topical areas" are likely to be improved by the use of block grants, but only if there is proper, continuous, and careful oversight at the national level (see footnotes 48 and 49).

64/The General Accounting Office, Perspective on Intergovernmental Policy and Fiscal Relations, GGD-79-62, June 28, 1979, p. 23.

3. With regard to "overgreat expectations," it seems that the move to block grants, especially accompanied by large budget cuts, should reduce, not raise expectations. While it is true that the reduction of social expectations may not be cost-free, it is nonetheless clear that block grants accompanied by major budget cuts are certainly a step toward such a reduction.

On the other hand, it would appear likely that some problems may get worse. In particular, both logic and experience point to two problems which have not benefited from decentralization in the past:

4. "Inefficiency in operations" ("inefficiency" involves poor management, waste, fraud, and abuse, see (2) page 40) is likely to be aggravated by moving to block grants. It is true that State and local programs are sometimes well managed, sometimes not, as is the case for federal programs. Again, corruption among officials is a problem on which no level of government has a monopoly. However, the experience of both the LEAA and CETA block grant programs has been that waste, fraud, and abuse of federal dollars became so widespread, flagrant, and uncontrollable without built-in elements of accountability, that the Congress eventually voted to increase the national control over recipient

discretion. 65/ It is also important to recognize that initial cost savings (such as those potentially achievable through "cutting out layers of bureaucracy") are not the only factors in efficient management. The

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65/The House hearings on the LEAA budget for 1973 are informative about block grant problems in this regard. As Congressman S. Steiger (R - Ariz.) pointed out:

> The majority report tried to have it both ways. On the one hand, it chided LEAA for not maintaining strict enough controls. On the other, it rebuked LEAA for not distributing large sums of money to the states more rapidly. But it is obvious that the cities cannot have project-by-project control and also unrestricted fund distribution.

(Hearings of the Committee on the Judiciary, House of Representatives, First Session on Law Enforcement Assistance Administration, U.S. Government Printing Office, Washington, D.C., 1973, p. 115.)

LEAA Administrator Jerris Leonard was first interrogated by Congressman J. Rooney (D - N.Y.) about the private use of government aircraft in Indiana and about the acquisition of air conditioning equipment by police departments. He was then asked:

> Mr. Rooney: Congress has never denied you any funds to hire auditors, has it?

Mr. Leonard: That is correct, Mr. Chairman. (Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, Department of Justice, Law Enforcement Assistance Administration, U.S. Government Printing Office, 1973, p. 1105.)

Senator Hruska (R - Nebraska) pointed out that the culprits involved in the major problems of program operations were at state and local, not national levels: "The malfunctioning of the program is not in Washington. The criticism should be of New Jersey, Florida, and New York. We are not running their departments; the plans are not to blame." (Judith Axler Turner, "Justice Report/Congress Holds Past Criticism in Check as it Considers Revenue-Sharing Role for for LEAA," National Journal, March 31, 1973, p. 454.)

assurance of such management (i.e, one which can control costs and allocate resources effectively over the long term) requires, among other things, good record systems, performance standards, and the ability to compare management results with those of other managements. Unfortunately, under block grants, decentralization or local autonomy has often meant notably different record systems and performance standards, with the consequent inability (a) to know what is happening in a given management system, and (b) to compare across managements. An illustration of the multiplicity and dissimilarity of local systems is given by the property tax which is "the only tax for which there exists more than 70,000 different legal tax rates, hundreds of thousands of distinctive effective rates -- because of assessment nonuniformity -- and probably, when all the overlaying local taxing units are added up, several million distinctive effective tax rate combinations." 66/ In sum, the experience of the past, along with the problems of local differentiation and uncertain instruments of accountability, all suggest that block grants are more likely to exacerbate than improve inefficiency.

66/Comments of Dick Netzer in the Discussion of Henry Aaron's paper, "The Property Tax: Progressive or Regressive," The American Economic Review, May 1974, p. 231.

5. "Inequitability" might have been expected to improve under block grants, because it seems reasonable that decentralization should help to target monies better on needy local populations; unfortunately, experience once again has shown that needy populations may not have the organization and power to wrest those monies from state and local governments where they have little or no representation, if accountability mechanisms are not present. Under revenue sharing, for example, which represents the "no-strings" extreme, civil rights violation complaints have been numerous (770 were declared as "pending" in 1979), yet the Treasury Department, which administers revenue sharing, does not have the necessary personnel to evaluate these complaints nor to "sort out all the inequities" of which Department officials are aware. 67/ Since block grants must serve whatever target populations are indicated in the law, it seems at first glance that they would have lesser problems with equity than would revenue sharing, similar problems, in fact, to those existing with categorical grants. There are, however, the additional difficulties that -- given "minimal," or lessened, accountability -- (1) the target populations intended and specified by the law may not actually be the ones served, and (2) without

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67/John Herbers, "End to Federal Revenue-Sharing Expected in Forthcoming Budget," New York Times, July 9, 1979.

evaluation mechanisms, it may be nearly impossible to find this out. Block grants are thus likely to be more, not less, inequitable than categorical grants because of the ability of state and local bureaucracies to support their requests for funds effectively (see footnote 52), and because of the "minimal" national accountability which has often accompanied block grants.

On four problems, uncertainty exists. Although the block grant may have some potential for impact in these areas, there are strong arguments for both positive and negative effects:

6. The "decreased productivity" claimed for categorical grants could theoretically improve under block grants if the latter were to cause a reduction in public sector employment. However, it is not clear that this will occur for several reasons: (a) Some of the programs that are targeted for block grants have never been administered by the states and will therefore require "wholly new state bureaucracies." 68/ (b) The trend in federal programs has been toward increased (not decreased) bureaucracies as program control increases. Finally, (c) even "minimal" requirements for accountability at state levels will mean increased work as states take over the federal responsibilities for such things as processing local

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67/Rochelle L. Stanfield, "Block Grants Look Fine to States; It's the Money That's the Problem," National Journal, May 9, 1981, p. 828.

applications, grant decisionmaking, the checking of local financial and performance reports, or the conduct of audits and evaluations, for example.

7. "Wastefulness" may be no better under block grants. At this time, it is not clear whether administrative expenses will in fact be lessened or not, and, as discussed above, it is certainly not likely that inefficiency, fraud and abuse will decrease under block grants.

8. "Distortion of state and local priorities" may occur just as well under block grants as under categorical grants if national funds continue to be sought whose purposes are not state or local purposes (see footnote 29, the discussion of "opportunism" at state and local levels). Certainly, the national objectives may be less well served if the activities chosen by states and localities for implementation under the grant are peripheral or non-instrumental to those objectives. While it is true this would imply at least some reduction of state and local priority distortion, it would certainly increase national priority distortion in comparison with categorical grants. Whatever the outcome, it seems likely that any immediate improvement gained through block grants in adhering to state and local priorities might be bought at the risk of more fundamental long-term distortion because of "fiscal certainty," a design characteristic presented by block grants (see the beginning of Section IV above). Such

fiscal certainty provided to recipients is likely to increase, rather than decrease, their dependence upon the national government and distort their priorities on a long-term basis. Block grants do not seem able, in and of themselves, to help with this problem, and they could increase it.

9. "Non-controllability and non-terminability of grants," a problem due to current constituent power, may not continue to be the case under block grants. First, the national lobbies may not be represented in the same proportions or with the same power in the different states. Second, the block grant concept could force constituencies such as the disadvantaged and the handicapped to compete with each other for federal funds. However, other constituencies -- the traditionally strong ones in individual states -- could quickly develop the same strangle-hold on federal funds in block form as the national lobbies exercise on federal funds in categorical form. Also, at a higher level, if one perceives state and local governments themselves as stakeholders or constituencies, and grants are given with "fiscal certainty," then there is not likely to be much improvement in either the controllability or terminability of federal programs under the block grant mechanism.

Finally, for five of the categorical grant problems cited in Section III, the problem does not appear susceptible to being addressed via a change in the grant mechanism:

10. The "self-interest" of agencies is a property of units at all levels of government (see footnote 52). It would be surprising if block grants could help.
11. "Underfunding" is a criticism which seems entirely unrelated to funding mechanisms. Block grants can neither help nor hurt.
12. "Ineffectiveness in achieving program goals" is related to so many profound difficulties other than the intergovernmental transfer mechanism (e.g., the intractability of the problem addressed, the lack of understanding of the problem, the failure to pilot-test proposed program-solutions, etc.) that it would be hard to see why or how changing the mechanism could help. Block grants would seem to be neutral for this problem.
13. "Value-erosion" is not likely to change under block grants since the same purposes or national objectives would continue to be served; only the transfer mechanism would differ.

14. "Bureaucratization" is no better or worse in state or local agencies than at the national level. Rules, regulations, and rituals are normal aspects of agency activity. Block grants are not likely to change that.

The analysis of problems encountered in implementing a system cannot, of course, be the only focus of prospective comparison between categorical and block grants. In the previous section, eight advantages were ascribed to the categorical grant system and it is also useful to question the ability of block grants to encompass these assets while concurrently bringing a new set of strengths. The argument can be set forth as follows:

First, with regard to the national objective, this would still be spelled out under block grants. It might be more broadly defined, and it is certain that much more discretion would be allowed to state and local officials with regard to the choice of activities, but the fact that the national objective is explicitly specified means that national revenues should continue to go to national priorities, given the presence of adequate accountability measures. However, efforts to reverse prior "distortion of state and local priorities" may lead to some distortion of the national objective (see the discussion just above, point 8 in this Section) and further, the fungibility resulting from the greater discretion accorded would also be expected to cause at least some leakage from the grant purpose. The difficulty involved in tracking any such leakage again points to the need for accountability in this area.

Second, the accountability for federal funds still exists under block grants, not only at state and local but also at national levels. However, the effort to achieve "minimal" reporting requirements may make it difficult or impossible to find out (1) whether activities are implemented which are directly relevant to achieving the national objective, and (2) whether the results of those activities reveal that they are effective and useful.

Third, the loss of national capabilities and expertise are likely to be sorely missed. There is much debate about the capacity of all states and localities to take on the new responsibilities implied in the block grant proposal. The general view, however, is unfavorable, given the concurrent budget reductions, the existing skills and expertise in some states, and the timing of the shift which is planned to occur with great rapidity. Asking for the "maximum lead time possible" in testimony before the Senate Labor and Human Resources Committee in April, North Carolina's Governor Hunt (Chairman of the National Governors' Association's Human Resources Committee) said the proposed cuts in expenditure, given the speed with which the Administration wants to implement them, leaves "little doubt that the block grants proposed will result in a reduction of services." 69/ If this occurs, however, it will be very difficult to say which part of the reduction in services is attributable to budget

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69/Rochelle L. Stanfield, "Block Grants Look Fine to States; It's the Money That's the Problem," National Journal, May 9, 1981, p. 829.

cuts, and which to the state and local capacity to operate and account for complex programs.

Fourth, decision-point information may not be available at all under block grants. The potential loss of all information about program effectiveness appears to involve so much more important risks in terms of congressional oversight and accountability responsibilities that it appears likely the "minimal" requirements will need to focus on those, to the detriment of ordinary, generalized program status information. However, the Congress can in fact ensure that such information is both collected and made available, even under block grants (see Section V below).

Fifth, given past experience, it seems likely that program integrity would suffer under block grants unless a major effort at coordination were made by the national agency responsible (see the discussion under "inefficiency" above).

Sixth, national program standards or guidelines for performance would now be missing, and it is predictable that there would be considerable variability in state and local programs implemented with block grant funds, setting up incentives for "program-hopping" among some beneficiaries and reinforcing the likelihood of increased fraud and abuse.

Seventh, unless the national agency responsible in the topical program area were given the authority, it is not clear how interstate problems could be handled.

Finally, with regard to program areas requiring shared responsibility, it seems that little progress is likely to be

made. The data available from the LEAA block grant program, for example, make clear that the lack of strong authority at the national level precluded any real development of integrated relationships among the police, prosecutorial, judicial, and correctional functions. In ACIR's words, on reviewing the LEAA block grant experience over 8 years:

> Despite growing recognition that crime needs to be dealt with by a functionally and jurisdictionally integrated criminal justice system, the Safe Streets program has been unable to develop strong ties among its component parts. 70/

In summary, in addressing the 14 performance problems identified here for which categorical grants are most often criticized, one may reasonably speculate that block grants are likely to be: useful in trying to improve three problems (those of "excessive centralization and control at the national level," "fragmentation and lack of control across topical areas," and "overgreat expectations"); neutral in the case of five problems (those of "ineffectiveness of achieving program goals," "underfunding," "value-erosion," "bureaucratization," and "agency self-interest"); hurtful with respect to two problems (those of "operational inefficiency" and "inequitability"); and uncertain with regard to four problems (those of "decreased productivity," "wastefulness," "distortion of state and local priorities," and "constituency uncontrollability."

70/Advisory Commission on Intergovernmental Relations, Safe Streets Reconsidered: The Block Grant Experience, 1968 - 1975, January 1977, p. 190.

Turning to the categorical grant advantages enumerated above, it appears that the only one likely to survive more or less intact is the specification of national objectives. It is uncertain what the state and local capacity will be for handling block grant responsibilities, or how and if interstate problems will be dealt with under block grants. Finally, it seems probable that program standards, decision-related information, shared responsibilities, and program integrity will all suffer notable erosion or will fail to be maintained -- without special action by the Congress -- under block grants.

Thus, in moving to block grants, only 3 of the 14 major problems found with categorical grant programs seem likely to improve. Past experience predicts that problems of inefficiency -- including problems of integrity such as fraud and abuse -- and problems of inequitability are likely to worsen notably due to the weakening of the accountability mechanisms present in categorical grant programs. It is therefore especially important to examine what can be done to improve accountability in block grant programs, without restricting unduly the increased recipient discretion, flexibility, and control they promise, as compared with categorical grant programs.

V. MAKING BLOCK GRANTS ACCOUNTABLE

The preceding effort to compare categorical grants and block grants in a general way suggests that there are some important problems encountered by categorical grants which either do not appear to be addressable by block grants or may well be worsened by the adoption of this mechanism. At the same time, the President and the Congress are likely to lose at least some of their ability to judge what is happening in these programs because many of the advantages of categorical grants -- chief among which, surely, is the assurance of recipient and national-level accountability for federal funds -- will have been lost.

If the Congress should decide to adopt the President's proposal for budget cuts coupled with the consolidation of categorical grants and their transformation into block grants, and if the rapid implementation schedule for that effort is not modified, it will probably be important to look very carefully at the accountability measures provided in the proposal and to decide whether or not they are adequate for national policymaking purposes.

Before beginning an examination of those measures, and of the various existing alternative measures which could potentially bolster their effectiveness, it may be useful to discuss the concept of accountability very briefly here, so as to be a little bit more precise about what it signifies. Accountability is, of course, defined by the dictionary as "the condition of being

answerable, responsible, obliged to account for one's acts," presumably, to someone else. But if there is someone else, the accountability implies a relationship: one person is accountable to another (or to many others) with regard to something entrusted to his or her care. The "something" is, of course, taxpayers' money; the accountability is for public funds.

The accountability relationship, then, is a little like a contract, which is "a bargain or agreement voluntarily made upon good consideration between two or more persons capable of contracting to do, or forbear to do, some lawful act." 71/ Such a contractual agreement creates rights and duties on both sides (as in the accountability relationship where the person receiving funds from the public purse is answerable for those funds to the appropriating entity and -- through that entity -- to the public). Further, these rights and duties are legally binding: that is, they are recognized and enforced by the courts (as in the federal system accountability process which is enforced by the judiciary, see Section II above).

Accountability on the part of one party thus implies at least some measure of control on the part of the other, since the duties of one are the rights of the other. In this way, because accountability signifies accounting to someone for something, the proper receiver of that accounting must be in a position to control or

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71/Justice v. Lang, 42 N.Y. 493, 1 Am. R. 576.

ensure both its delivery and quality. Mosher 72/ points out that three requirements need to be met for the accountability relationship to exist effectively. There must be:

(1) Information about the actions and decisions of the individuals and organizations who are held accountable (transmitted) to those who are holding them to account . . . The nature and usefulness of the information provided -- its honesty and accuracy, completeness, specificity, relevance, adequacy, and timeliness -- have always been critical attributes of accountability.

(2) Receivers of the information, who are able and willing to examine it, investigate it if necessary, digest it, and report it or initiate appropriate action based on it.

(3) Recourse on the basis of such information, to correct deficiencies and improve performance and/or to reward honorable and effective performance or penalize dishonesty, concealment, fraud, inefficiency, or ineffectiveness.

Accountability without adequate information from the accounting party, or without adequate oversight on the part of the receiver, or without at least potential recourse to sanctions in

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72/Frederick C. Mosher, The GAO: The Quest for Accountability in the American Government, Westview Press, Boulder, Colorado, 1979, page 234.

case of problems, is merely symbolic accountability, a kind of gesture in the right direction without real significance. As Etzioni phrases it:

> The hallmark of "accountability as gesture" is that that it is pure norm with little or no instrumentality attached. That is, the speaker or writer advocating accountability fails to follow up the use of the term by outlining specific arrangements. 73/

Fortunately, the block grant mechanism (unlike revenue sharing, as discussed above, Sections IIB and IV) provides for real accountability, and the Administration has recognized this. While the block grant programs proposed vary somewhat in their provisions, they do presently contain elements of accountability. Most frequently, these include clauses requiring reports on intended and actual use of funds and periodic financial audits, as well as prohibitions against using those funds for buying land or constructing buildings, for satisfying matching requirements of other federal programs, or in a way which discriminates on the basis of race, sex, age, or physical handicaps. Some also include "maintenance-of-effort" provisions of various sorts.

Generally, however, these elements of accountability relate almost exclusively to financial responsibility and to equitable treatment issues; they do not provide an adequate basis for judging: (a) the match of the actual programmatic focus with the legislative intent regarding the program, (b) the quality of

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73/Amitai Etzioni, "Alternative Conceptions of Accountability: The Example of Health Administration," Public Administration Review, May/June 1975, page 279.

management and implementation in the program; (c) the delivery of services in the program, and (d) the outcomes or effectiveness of the program.

It is true that the Reagan proposal represents one way of addressing some of the complaints raised against the categorical grant system; however, simplification and consolidation do not require that the issues of the fidelity of program focus or program effectiveness be disregarded. In fact, in times when budgetary constraints require the elimination or drastic reduction of numerous existing programs, means for determining the relatively less effective programs become extremely important. Further, it is clear from the "creeping categorization" experience of many block grant programs of the past not only that such accountability is possible without diminishing the special advantages of the block grant mechanism, but also that if accountability is not provided for from the beginning of the block grant legislation, then the Congress will need to move toward this effort later on, with the greater cost and loss of information that this entails.

This section therefore begins what probably should be an ongoing effort to list the various elements and tools of accountability which currently exist, with the idea that such a typology would be helpful for examining the current block grant proposal. Such elements or tools must obviously address the requirements for accountability given above:

- instruments for obtaining <u>information</u> of the relevant kind and quality;

- instruments by which receivers can investigate and control the information collected and/or delivered; and
- instruments for recourse in the event of failures of accountability.

Many questions need to be confronted in beginning to structure such a typology for use with block grants, not least of which are, Accountability to whom? Accountability by whom? Accountability for what? How much accountability?

The first question, Accountability to whom? is a somewhat more difficult one for block grants than for categorical grants. With the latter, it is assumed that all accountability to the public will be through the Congress. With block grants, accountability to the public takes two forms: through the Congress, with regard to the national objective, through the state legislature and/or judiciary with regard to state and local objectives.

The second question, Accountability by whom? is a fairly straightforward one to answer since the people who are accountable under block grants are the same ones who are accountable under categorical programs. In the words of one analyst:

> Block grants eliminate neither state and local (or recipient) accountability for the money nor federal responsibility for assuring proper use of federally collected revenues. 74/

74/Paul R. Dommel, Brookings Institution, Statement Prepared for the Senate Committee on Labor and Human Resources, April 20, 1981, p. 1.

The third question, however, "Accountability for what?" is a vastly more complex matter which the foregoing examination was intended to address. To recapitulate the findings of the prospective analysis which has been performed here, it seems likely, under block grants, that -- given the larger discretion available at state and local levels -- there is some danger of inequitability with regard to national target populations, and some danger of irrelevance to the national program purpose with regard to the selected activities. It seems likely, further, that -- depending on how the Congress construes "minimal" accountability -- there is some danger of lack of information at the national level with regard to program performance and with regard to program costs. It seems likely, finally, that, given state and local government variability, given lack of uniform standards or definitions, given the difficulty of assuring formal reporting across states, and given the painful historical experience, there is danger of increased inefficiency, waste, fraud, and abuse in block grant programs.

Block grant programs, then, need to gear their accountability instruments to the areas where they are most likely to be vulnerable and, if this analysis is correct, "accountability for what? should thus focus on three issues:

(1) Accountability for achieving the national objective in funding the program; this issue focuses on (a) whether the program has followed the legislative intent (with regard to activities and target

populations, if specified, for example) and (b) whether it has proven effective in meeting the broad national objective;

(2) Accountability for achieving state and local objectives; given that recognition of such objectives is a major reason for adopting the block grant mechanism, this issue focuses on whether specific state and local activities are effective in meeting their objectives (this, of course, is a responsibility for the recipient to decide, but it is important to envisage the possibility so as not to frustrate or preclude this accountability in the federal design of the block grant); and

(3) Accountability for program integrity and efficiency; this issue focuses on whether sound program management is ensuring that objectives are pursued in the least costly way and with the internal controls over eligibility and expenditure needed to prevent waste, fraud, and abuse.

With regard to the fourth question, How much accountability? it is clear that the Congress will want to vary accountability measures -- and especially degrees of accountability within those measures -- based upon its own priorities for a particular program, upon acceptability to the Administration and to state and local governments, and upon the objectives, structure, functions, and a host of other factors in the block grant. This question, then,

is one which the Congress must decide and which will need to be addressed on a case-by-case basis.

While it is thus impossible to be specific here with regard to the degrees of accountability which may need to be incorporated in particular block grant programs, and while other work 75/ currently in progress will help to characterize the needed accountability framework, it is probably not premature to sketch out some of the elements or tools of accountability which could be embodied in block grant programs, and which should respond both to accountability requirements (i.e., information, receiver control, and recourse instruments) and accountability issues (national program intent and effectiveness; state and local objectives and effectiveness; program management efficiency and integrity).

There are many elements of accountability -- and degrees of accountability within those elements -- which the Congress can possibly consider in addressing the three accountability requirements and the three "accountability for what?" issues, depending on: the substance and type of the program, the particular program history (i.e., the problems and successes it has already encountered), and the congressional sense of special priorities and accountability requirements within the program.

Clearly, the Congress will feel differently about different block grants. For some, experience will have shown that the

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75/Many groups in the GAO and elsewhere, for example, are currently working on studies of the block grant mechanism which should produce important data in this area at a later date.

national intent and/or target population are less likely to be well served at state and local levels than for others. Certain block grants will have demonstrated a high susceptibility to fraud and abuse; others will not. Thus, elements of accountability (and degrees of accountability within those elements) need to be targeted to block grants in terms of (a) the Congress' expectations and priorities for a particular program and (b) the ability of the elements to measure and report this information.

All elements of accountability have special characteristics and applicability. Some may have seemed ineffective in some programs but might be useful in others. Eighteen of them are presented here in the effort to begin a typology of elements which can lead to improved flexibility while maintaining needed controls in block grants.

(1) Specification by the Congress of the National Objective Sought in Funding the Program.

This first element is the foundation for accountability at the national level. Without specification of the national objective (and, as discussed earlier, see Sections IIB and IV, block grants can accommodate various shades of specificity moving from extremely broad definition to relatively detailed precisions about eligible activities and populations, for example), no accountability is possible on whether implementation moves in the desired national direction (since that direction is

not clearly given), or on whether the program is effective (since effectiveness is only meaningful with regard to an objective). This element addresses the first accountability issue and is a prerequisite both for the generation of information and for receiver control.

(2) Requirement by the Congress that Decisions on the Use of Block Grant Funds be Made Through Whatever Budget Process the State or Locality Uses for Its Own Funds.

This element, if selected, would address the second and third accountability issues and ensure that block grant funds will produce at least the same budgetary and accounting information as other state and local funds. This is a minimal level of accountability at state/local levels.

(3) Provision by the Congress that Block Grant Funds be Disbursed Through an Auditable Accounting System.

This element would address the second and third accountability issues and ensure the production of good expenditure information. If the system were also made subject to periodic independent audit, then that would help to fulfill the second accountability requirement, that of receiver control. Degrees of accountability can vary with the frequency and type of the audit.

(4) Requirement by the Congress for the Submission of State Plans to the Relevant Federal Agency Detailing the State's Intended Strategies and Activities in Implementing the National Objective.

This element seeks to address the first accountability issue and might be selected as a fairly stringent means of ensuring the survival of the national objective in the 50 state programs by obtaining state attention to that objective in the development of the plan. It produces both information and receiver control. Various degrees of accountability can be ensured here by using other accountability elements jointly with the plan (e.g., through the means of guidelines by the federal agency on project eligibility or expenditure controls, for example, or through plan review and/or approval at the federal level, or through citizen participation in the development of the plan). This element also develops information on state activities which is important for the later performance of evaluation at either recipient or national levels. However, state plans are costly to prepare, have generated major problems (in the LEAA block grant program, for example) and may not be as useful for evaluation as are individual project applications featuring an evaluation component, for example.

(5) Requirement by the Congress for a Formal Application Process by Which Potential Recipients Explain What They Will Do With Funds Received Under the Program and Why. This element if chosen, would represent a fairly stringent effort to ensure (1) the understanding and acceptance of the national objective at the recipient level; (ii) the development of state and federal-level information about how the national objective is being implemented and what funding decisions are being made; and (iii) the state or federal ability to sanction recipient misuse of funds with regard to the recipient's own assertions of intent. Degrees of stringency in this accountability element can be determined through differing review and approval processes.

(6) Provision for Citizen Participation in State and/or Local Level Planning and/or Program Review. This element represents one possible way of addressing the problem of inequitability in the case of a specified target population, that is, the first accountability issue. It could be chosen in an attempt to ensure that the largest number of state and local voices will be heard, and that the programs implemented at state and local levels will in fact reflect state and local priorities within the broad national objective. Degrees of accountability within this element concern (a) the types of citizen participation employed

(public hearings, advisory planning, councils, citizen review boards, etc.) and (b) the uses to which that participation is put within the program (input to state plans, voluntary assistance in service delivery, opinion surveys, etc.). This element, however, which has been a feature of both revenue sharing and block grants, tends to generate new constituencies and special interest groups; accordingly, there have been problems at state and local agency and provider levels in dealing effectively with citizen participation as a tool for accountability.

(7) Requirement for a Recipient Report (to the State Agency or the State Legislature or the Congress or the Federal Agency) on the Use of Funds.

This element, which calls only for performance data and does not require assessment, can be selected for two reasons. It provides retrospective information on how the block grant funds have been expended and it addresses the first two accountability issues.

(8) Requirement by the Congress for Monitoring of Recipient Implementation by State and/or Federal Agencies.

This element provides for receiver control of recipient-generated information. It can be chosen to address at least partially all three accountability issues (national and recipient objectives as well as

management), if that were desired. Monitoring is also useful as a prerequisite for more sophisticated information, since evaluation depends on implementation monitoring to report on effectiveness. This then is an extremely important element of accountability, because the lack of provision for any implementation monitoring would signify first, that little reliable status information on program progress could be available in a timely manner either to state agencies, Executive Branch agencies, state legislatures, or the Congress, and second, that each audit or evaluation performed will be more expensive in that it must first proceed to the development of information on the status of implementation. Degrees of accountability can be specified in the comprehensiveness of the monitoring information sought, in the frequency of its performance, and in the procedures for assessing the reliability of the information produced (analysis, control, on-site visits, etc.).

(9) Requirement by the Congress for a Recipient Performance Report on Effectiveness Based on Independent Audit and/or Evaluation.

This element can be used to address the three accountability issues. It provides both information and receiver control to those to whom the recipient is accountable. The usefulness of the information

and the degree of confidence which the receiver may place in it are both dependent, however, on the quality of that information.

(10) Provision for Technical Assistance in Accounting and Evaluation to Recipients by Federal and/or State Agencies.

This element can be included so that less technically advanced localities/recipients may provide higher quality information to receivers. It thus can address both the problem of inequitability (by ensuring that eligible receipients are not denied help because of inadequate "grantsmanship"), and the first and third accountability issues. Further, if evaluation and audit (which report on program quality and integrity) are to be performed, they will both need good planning, data collection, and accounting systems in place if they are to address accountability objectives. Depending on the amount of audit and evaluation information deemed necessary by the Congress in a particular program, various degrees of accountability can be developed through the use of technical assistance.

(11) Requirement by the Congress for the Audit of Recipient or Federal Agency Program Management.

This element can be chosen so as to address all three accountability issues. Its use would have two purposes: first, the knowledge that there is

provision for audit in a program tends to deter unsound management practices; second, the audit itself provides both information and receiver control to decisionmakers on program costs, implementation, management, and performance. Degrees of accountability are provided via the frequency, comprehensiveness, and program level of the audit.

(12) Requirement by the Congress for Federal Agency Performance of Program Evaluation at Recipient or National Levels on the Effectiveness of Recipient Activities.

This element, like audit, could be selected to address all three accountability issues but is especially useful in (i) the provision of empirical evidence of program effectiveness in terms of the national objective sought; (ii) the pilot testing of new programs, management systems, or technology; and (iii) the synthesis of retrospective information for policy use. Again, the prospect of evaluation constitutes the program equivalent of Mencken's "still, small voice that tells us someone is watching." Thus, the knowledge of a mandate for evaluation tends to deter deviations from expected courses of action. Degrees of accountability are afforded by the frequency, scope, duration, and level of the evaluation.

(13) Requirement for Project Reports by Local Agencies to the State.

This element could address, on a case basis, all three accountability issues and provide detailed information from the site level on a particular project useful for both state and federal receiver control. Degrees of accountability in this element concern the subject matter of the report, its frequency, and the methods of checking on its validity.

(14) Provision for the Issuance of Program Standards or Guidelines by Federal or State Agencies.

This element might be used to ensure that there will be some uniformity either across state programs or across level program within a state with regard to (a) program substance; (b) internal controls and sanctions to deter fraud and abuse; and (c) program reporting. Such uniformity assists all three accountability issues by building the national and/or recipient objectives into the standards or guidelines; by helping to ensure the development of cross-site information on program substance and quality; and by reducing the likelihood of unsound management. Varying degrees of stringency can occur here based on the type and specifity of the guidelines and standards; the number, frequency, and detail of program reporting requested; and the

monitoring, audit, and evaluation functions called for to check on individual program status and uniformity across sites and programs.

(15) Requirement by the Congress for an Annual Performance Report by the State to the Executive Branch Agency. This element can be used to provide information on program progress for an entire state to the federal agency, thus fulfilling two accountability requirements and addressing two issues. Degrees of accountability in this element relate essentially to the subject matter of the report (this can cover a range of materials moving from a recapitulation of state plans, a description of what was implemented, an explanation of how complete the various projects were in achieving coverage of the objective, through a summary of state and local evaluation, audit, and monitoring findings, to a set of state conclusions and recommendations based on the results of funded activities and the problems encountered), and to the methods adopted by the federal agency (or the Congress) for checking or analyzing its validity.

(16) Requirement by the Congress for an Annual Performance Report by the Executive Branch Agency to the Congress. This element can be selected to hold the Executive Branch agency accountable to the Congress in the oversight process. The performance report may involve degrees of accountability ranging from the inclusion of simple

status report information for each state (establishing the degree to which the block grant activities are faithful to the national program objective) through the provision of national monitoring, auditing, and evaluation reports generating information on program effectiveness, costs, and management integrity, to the recommendation of proposed changes in substance, procedures, and funding. Stringency in this element may be increased by congressional mandates for independent audit or evaluation of the federal agency program. This element can thus fulfill two (or even three) accountability requirements, depending on whatever independent reviews are accomplished, and can address all the accountability issues.

(17) Requirement by the Congress for a Performance Report from an Independent Agency (e.g., GAO) on Recipient Activities, Covering Integrity, Efficiency, and Effectiveness.

This element can be used to ensure a high level of accountability with regard to the first and third accountability issues, and to provide both information and receiver control.

(18) Specification of Sanctions for Failures of Accountability at Any Level and of Rewards for Effective Performance.

This element can be selected to deter malfeasance and to provide incentives for sound performance; it serves the recourse requirement presented earlier. In one analyst's words:

> Among the cruder tools for enforcing accountability (historically) . . . have been death, replacement, removal, demotion, elimination or reduction of authorities or resources, and legal action, either civil or criminal or both, to redress grievances. Less extreme but still significant instruments to penalize failures in performance include reprimands, loss of repute among superiors, peers, and subordinates, social penalties on self and family, and countless others. Instrumental to all these, and increasingly potent unto itself, is simply disclosure and publication. The key to accountability is thus, quite simply, information -- the openness with which an individual or agency operates and the access to information by persons outside who are in a position to do something about it, if necessary, and the ways in which relevant information is selected, processed and utilized. 76/

To recapitulate briefly, this section has developed 18 accountability elements which range from minimal to stringent and which can be selected to assure accountability in block grants based on:

76/Mosher, page 235.

- the degree of specificity of the national objective; and
- the importance attached by the Congress and the Administration to the determination of whether or not it is being accomplished.

As specificity and importance increase, it seems natural to move up the ladder in stringency, going from a self-reporting system (providing information without receiver control), through a national agency reporting system (providing two levels of information and one level of receiver control) to an independent national-level reporting system (providing two levels of information and two levels of receiver control). In the same way, within a single type of reporting system, the elements move up the ladder in rigor, going from monitoring, through audit to evaluation at either recipient or national levels.

VI. SUMMARY

In conclusion, then, this paper has sought to make five points:

(1) that the criticisms levelled at categorical grants may not all be addressed by turning the programs into block grants;

(2) that some aspects of current programs -- notably their equitability, efficiency, and integrity -- may be worsened by the block grant mechanism's loss of uniformity, definition, reporting and coordination across state programs at the national level;

(3) that measures are needed to ensure appropriate accountability by federal, state, and local personnel for the use of federal funds based on accountability requirements for:

- relevant information,
- an entity to receive and control the information, and
- recourse in case of failure;

and based on the accountability issues of:

- the achievement of the national objective;
- the achievement of the recipient objective; and
- program integrity and efficiency.

(4) the accountability measures are consistent both with the basic concept of the block grant and with the

duty of policymakers to assure the proper use of federal funds; and finally,

(5) that at least 18 elements of accountability exist which can be considered by the Congress in varying degrees of stringency, depending upon the particular program involved, the specificity of the national objective, and the congressional view of the importance of knowing whether or not that objective is being accomplished.

Accountability, of course, is not cost-free. Some constraints and restrictions on program administration are unavoidable in any effort to monitor and assess program performance. Without "strings" of some sort, there will be (a) no valid and reliable data by which to follow program activity, and (b) no established criteria by which to judge program results. On the other hand, there is no reason to assume that the kinds of structure and demands imposed by the present largely categorical system are the only (or best) means to assure accountability. The costs which that system imposes in administrative inflexibility and fragmentation are real. The question that needs to be posed is what sort of requirements of national, state, and local governments will provide the information and criteria necessary for accountability in a particular program with a minimum of administrative overload to state and local program administrators.